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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on the 25th May, 1967:—

*BILL No. 61 OF 1967

A Bill to give effect to the financial proposals of the Central Government for the financial year 1967-68.

BE it enacted by Parliament in the Eighteenth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (*1*) This Act may be called the Finance (No. 2) Act, 1967.

(*2*) Save as otherwise provided in this Act, sections 2 to 36 and 44 to 46 shall be deemed to have come into force on the 1st day of April, 1967.

*The President has, in pursuance of Clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

CHAPTER II

INCOME-TAX AND ANNUITY DEPOSITS FOR THE FINANCIAL YEAR 1967-68

Income-tax.

2. (*1*) Subject to the provisions of sub-sections (*2*), (*3*) and (*4*), for the assessment year commencing on the 1st day of April, 1967, income-tax shall be charged at the rates specified in Part I of the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge for purposes of the Union calculated in either case in the manner provided therein.

(*2*) In making any assessment for the assessment year commencing on the 1st day of April, 1967, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated— 31 of 1956.

(*i*) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business; and

(*ii*) on the remaining part of its total income, at the rate applicable to the company on its total income.

(*3*) In cases to which Chapter XII of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter, as the case may be. 43 of 1961.

(*4*) (*a*) In respect of any assessment for the assessment year commencing on the 1st day of April, 1967, in the case of an assessee being a domestic company or an assessee other than a company,—

(*i*) where his total income includes any profits and gains derived from the export (made before the sixth day of June, 1966) of any goods or merchandise out of India, he shall be entitled to a deduction, from the amount of income-tax with which he is chargeable, of an amount equal to the income-tax calculated at one-tenth of the average rate of income-tax on the amount of such profits and gains included in his total income,

(*ii*) where he is engaged in the manufacture of any articles in an industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, and has, during the 65 of 1951.

previous year, exported before the sixth day of June, 1966 such articles out of India, he shall be entitled, in addition to the deduction of income-tax referred to in sub-clause (*i*), to a further deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on an amount equal to two per cent. of the sale proceeds receivable by him in respect of such export made before the date aforesaid.

Explanation.—In this sub-clause, the expression "sale proceeds" does not include freight or insurance attributable to the transport of the articles beyond the customs station as defined in the Customs Act, 1962;

52 of 1962.

(*iii*) where he is engaged in the manufacture of any articles in an industry specified in the said First Schedule and has, during the previous year, sold before the sixth day of June, 1966 such articles to any other person in India who himself has exported them out of India, and evidence is produced before the Income-tax Officer of such articles having been so exported, the assessee shall be entitled to a deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on a sum equal to two per cent. of the sale proceeds receivable by him from the exporter in respect of such articles sold to the exporter before the date aforesaid.

(*b*) The aggregate amount of the deductions under this sub-section shall in no case exceed the amount of income-tax otherwise payable by the assessee.

(*c*) Nothing contained in sub-clause (*ii*) or sub-clause (*iii*) of clause (*a*) shall apply in relation to—

(1) fuels,

(2) fertilisers,

(3) photographic raw film and paper,

(4) textiles (including those dyed, printed or otherwise processed) made wholly or in part of jute, including jute twine and rope,

(5) newsprint,

(6) pulp—wood pulp, mechanical, chemical, including dissolving pulp,

(7) sugar,

(8) vegetable oils and vanaspathi,

(9) cement and gypsum products.

(10) arms and ammunition, and

(11) cigarettes,

respectively, specified in items 2, 18, 20, 23(2), 24(2), 24(5), 25, 28, 35, 37 and 38 of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(*d*) The amount of any profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax is admissible under sub-clause (*i*) of clause (*a*) shall be computed in accordance with the rules made by the Board in this behalf.

(5) In cases in which tax has to be deducted under sections 193, 194, 194A and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(6) In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule.

(7) For the purposes of this section and the First Schedule,—

(*a*) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(*b*) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1967, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(*c*) "earned income" means any income of an assessee who is an individual, or a Hindu undivided family, or an unregistered firm [not being an unregistered firm assessed under clause (*b*) of section 183 of the Income-tax Act] or an association of persons or body of individuals, whether incorporated or not, not being—

(*A*) a company, or

(*B*) a local authority, or

(*C*) a registered firm, or

(*D*) an unregistered firm assessed under clause (*b*) of the said section 183—

(*i*) which is chargeable under the head "Salaries": or

(*ii*) which is chargeable under the head "Profits and gains of business or profession" where the business or profession is carried on by the assessee or, in the case of a firm, where the assessee is a partner actively engaged in the conduct of the business or profession; or

(*iii*) which is chargeable under the head "Income from other sources" if it is immediately derived from personal exertion or represents a pension or superannuation or other allowance given to the assessee in respect of the past services of any deceased person, or which is chargeable under that head under clause (*ia*) of sub-section (*2*) of section 56 of the Income-tax Act, and

includes any such income which, though it is the income of another person, is included in the assessee's total income under the provisions of the Income-tax Act, but does not include any such income on which income-tax is not payable under clause (*iii*) or clause (*v*) of section 86 of that Act or which is exempted from tax under a notification issued under section 60 or section 60A of the Indian Income-tax Act, 1922, as continued in force by clause (*l*) of sub-section (*2*) of section 297 of the Income-tax Act;

11 of 1922.

(*d*) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent of such total income;

(*e*) "tax free security" means any security of the Central Government issued or declared to be income-tax free, or any

security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(*f*) "unearned income" means income which is not "earned income";

(*g*) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act, shall have the meanings respectively assigned to them in that Act.

Annuity deposit.

3. (*1*) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1967 and annuity deposit to be made during the financial year commencing on the 1st day of April, 1967, shall be made by every person to whom the provisions of that Chapter apply, at the rate or rates specified in the Second Schedule.

(*2*) For the purposes of this section and the Second Schedule, the expressions "adjusted total income", "annuity deposit" and "depositor" have the meanings respectively assigned to them under clauses (*1*), (*5*) and (*6*) of section 280B of the Income-tax Act.

CHAPTER III

AMENDMENTS IN THE INCOME-TAX ACT

Amendment of section 2.

4. In section 2 of the Income-tax Act,—

(*a*) after clause (*1*), the following clause shall be inserted, namely:—

'(*1A*) "amalgamation", in relation to companies, means the merger of one or more companies with another company or the merger of two or more companies to form one company (the company or companies which so merge being referred to as the amalgamating company or companies and the company with which they merge or which is formed as a result of the merger, as the amalgamated company) in such a manner that—

(*i*) all the property of the amalgamating company or companies immediately before the amalgamation becomes the property of the amalgamated company by virtue of the amalgamation;

(*ii*) all the liabilities of the amalgamating company or companies immediately before the amalgamation

become the liabilities of the amalgamated company by virtue of the amalgamation;

(*iii*) shareholders holding not less than nine-tenths in value of the shares in the amalgamating company or companies (other than shares already held therein immediately before the amalgamation by, or by a nominee for, the amalgamated company or its subsidiary) become shareholders of the amalgamated company by virtue of the amalgamation,

otherwise than as a result of the acquisition of the property of one company by another company pursuant to the purchase of such property by the other company or as a result of the distribution of such property to the other company after the winding up of the first mentioned company;';

(*b*) after clause (*37*), the following clause shall be inserted, namely:—

'(*37A*) "rate or rates in force" or "rates in force", in relation to an assessment year or financial year, mean—

(*i*) for the purposes of calculating income-tax under the first proviso to sub-section (5) of section 132, or computing the income-tax chargeable under sub-section (*4*) of section 172 or sub-section (*2*) of section 174 or section 175 or sub-section (*2*) of section 176 or deducting income-tax under section 192 from income chargeable under the head "Salaries" or computation of the "advance tax" payable under Chapter XVII-C, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year;

(*ii*) for the purposes of deduction of tax under sections 193, 194, 194A and 195, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year; ' ;

(*c*) in clause (*42A*) in clause (*i*) of the *Explanation*,—

(*i*) in sub-clause (*b*), for the words, brackets and figures "clauses (*i*) to (*iii*)", the words, brackets and figure "sub-section (*1*)" shall be substituted;

(*ii*) after sub-clause (*b*), the following sub-clause shall be inserted, namely:—

"(*c*) in the case of a capital asset being a share or shares in an Indian company, which becomes the pro-

perty of the assessee in consideration of a transfer referred to in clause (*vii*) of section 47, there shall be included the period for which the share or shares in the amalgamating company were held by the assessee;".

Amendment of section 10.

5. In section 10 of the Income-tax Act, in clause (27), the words, figures and letters "which is assessable for the assessment year commencing on the 1st day of April, 1965, 1966 or 1967" shall be omitted.

Amendment of section 23.

6. In section 23 of the Income-tax Act, in the proviso to sub-section (2), for the words "total income of the owner,", the following shall be substituted, namely:—

"total income of the owner (the total income for this purpose being computed without including therein any income from such property and before making any deduction under Chapter VIA or section 280O)".

Amendment of section 29.

7. In section 29 of the Income-tax Act, for the words and figures "sections 30 to 43", the words, figures and letter "sections 30 to 43A" shall be substituted.

Amendment of section 32.

8. In section 32 of the Income-tax Act, in clause (2) of the *Explanation* to clause (*iii*) of sub-section (1), after the words "for the time being in force", the following words shall be added, namely:—

"but does not include a transfer, in a scheme of amalgamation, of any asset by the amalgamating company to the amalgamated company where the amalgamated company is an Indian company".

Amendment of section 33.

9. In section 33 of the Income-tax Act, for sub-section (3), the following sub-section shall be substituted, namely:—

"(3) Where, in a scheme of amalgamation, the amalgamating company sells or otherwise transfers to the amalgamated company any ship, machinery or plant in respect of which development rebate has been allowed to the amalgamating company under sub-section (1) or sub-section (1A),—

(*a*) the amalgamated company shall continue to fulfil the conditions mentioned in sub-section (3) of section 34 in respect of the reserve created by the amalgamating company and in respect of the period within which such ship, machinery or plant shall not be sold or otherwise transferred and in default of any of these conditions, the provisions of sub-section (5) of section 155 shall apply to the amalgamated

company as they would have applied to the amalgamating company had it committed the default; and

(*b*) the balance of development rebate, if any, still outstanding to the amalgamating company in respect of such ship, machinery or plant shall be allowed to the amalgamated company in accordance with the provisions of sub-section (*2*), so, however, that the total period for which the balance of development rebate shall be carried forward in the assessments of the amalgamating company and the amalgamated company shall not exceed the period of eight years specified in sub-section (*2*) and the amalgamated company shall be treated as the assessee in respect of such ship, machinery or plant for the purposes of this section and section 34.".

Amendment of section 33A.

10. In section 33A of the Income-tax Act, for sub-section (5), the following sub-section shall be substituted, namely:—

"(5) Where, in a scheme of amalgamation, the amalgamating company sells or otherwise transfers to the amalgamated company any land in respect of which development allowance has been allowed to the amalgamating company under sub-section (*1*),—

(*a*) the amalgamated company shall continue to fulfil the conditions mentioned in sub-section (*3*) in respect of the reserve created by the amalgamating company and in respect of the period within which such land shall not be sold or otherwise transferred and in default of any of these conditions, the provisions of sub-section (*5A*) of section 155 shall apply to the amalgamated company as they would have applied to the amalgamating company had it committed the default; and

(*b*) the balance of development allowance, if any, still outstanding to the amalgamating company in respect of such land shall be allowed to the amalgamated company in accordance with the provisions of sub-section (*2*), so, however, that the total period for which the balance of development allowance shall be carried forward in the assessments of the amalgamating company and the amalgamated company shall not exceed the period of eight years specified in sub-section (*2*) and the amalgamated company shall be treated as the assessee in respect of such land for the purposes of this section.".

Insertion of new section 33B.

11. After section 33A of the Income-tax Act, the following section shall be inserted, namely:—

Rehabilitation allowance.

'33B. Where the business of any industrial undertaking carried on in India is discontinued in any previous year by reason of extensive damage to, or destruction of, any building, machinery, plant or furniture owned by the assessee and used for the purposes of such business as a direct result of—

(*i*) flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature; or

(*ii*) riot or civil disturbance; or

(*iii*) accidental fire or explosion; or

(*iv*) action by an enemy or action taken in combating an enemy (whether with or without a declaration of war),

and, thereafter, at any time before the expiry of three years from the end of such previous year, the business is re-established, reconstructed or revived by the assessee, he shall, in respect of the previous year in which the business is so re-established, reconstructed or revived, be allowed a deduction of a sum by way of rehabilitation allowance equivalent to sixty per cent. of the amount of the deduction allowable to him under clause (*iii*) of sub-section (*1*) of section 32 in respect of the building, machinery, plant or furniture so damaged or destroyed

Explanation.—In this section, "industrial undertaking" means any undertaking which manufactures or produces articles.'.

Amendment of section 34.

12. In section 34 of the Income-tax Act, for the *Explanation* to clause (*i*) of sub-section (*2*), the following *Explanation* shall be substituted, namely:—

"*Explanation.*—Where a capital asset is transferred—

(*i*) by a holding company to its subsidiary company or by a subsidiary company to its holding company, or

(*ii*) by a company to another company in a scheme of amalgamation.

and the conditions specified in clause (*iv*), or clause (*v*), or, as the case may be, clause (*iv*) of section 47 are satisfied, then, in determining the aggregate of all deductions in respect of depreciation under this clause, account shall also be taken of the deductions in respect of depreciation allowed in the case of the company from which the asset has been transferred;".

Amendment of section 35.

13. In section 35 of the Income-tax Act, after sub-section (*4*), the following sub-section shall be inserted, namely:—

"(*5*) Where, in a scheme of amalgamation, the amalgamating company sells or otherwise transfers to the amalgamated company (being an Indian company) any asset representing expenditure of a capital nature on scientific research,—

(*i*) the amalgamating company shall not be allowed the deduction under clause (*ii*) or clause (*iii*) of sub-section (*2*); and

(*ii*) the provisions of this section shall, as far as may be, apply to the amalgamated company as they would have applied to the amalgamating company if the latter had not so sold or otherwise transferred the asset.".

Amendment of section 35A.

14. In section 35A of the Income-tax Act, after sub-section (*5*), the following sub-section shall be inserted, namely:—

"(*6*) Where, in a scheme of amalgamation, the amalgamating company sells or otherwise transfers the rights to the amalgamated company (being an Indian company),—

(*i*) the provisions of sub-sections (*3*) and (*4*) shall not apply in the case of the amalgamating company; and

(*ii*) the provisions of this section shall, as far as may be, apply to the amalgamated company as they would have applied to the amalgamating company if the latter had not so sold or otherwise transferred the rights.".

Amendment of section 36

15. In section 36 of the Income-tax Act, in clause (*ix*) of sub-section (*1*), in the third proviso, for the words, brackets and figures "sub-section (*2*) of section 35", the words, brackets and figures "sub-section (*2*) and sub-section (*5*) of section 35" shall be substituted.

Amendment of section 43.

16. In section 43 of the Income-tax Act,—

(*i*) in clause (*1*), after *Explanation* 6, the following *Explanation* shall be inserted, namely:—

"*Explanation* 7.—Where, in a scheme of amalgamation, any capital asset is transferred by the amalgamating company to the amalgamated company and the amalgamated company is an Indian company, the actual cost of the transferred capital asset to the amalgamated company shall be taken to be the same as it would have been if the amalgamating company had continued to hold the capital asset for the purposes of its own business";

(*ii*) in clause (*6*), after *Explanation* 2, the following *Explanation* shall be inserted, namely:—

"*Explanation* 2A.—Where, in a scheme of amalgamation, any capital asset is transferred by the amalgamating company to the amalgamated company and the amalgamated company is an Indian company, the written down value of the transferred capital asset to the amalgamated company shall be taken to be the same as it would have been if the amalgamating company had continued to hold the capital asset for the purposes of its business.".

Insertion of new section 43A.

17. After section 43 of the Income-tax Act, the following section shall be inserted, namely:—

Special provisions consequential to changes in rate of exchange of currency.

'43A. (*1*) Notwithstanding anything contained in any other provision of this Act, where an assessee has acquired any asset from a country outside India for the purposes of his business or profession and, in consequence of a change in the rate of exchange at any time after the acquisition of such asset, there is an increase or reduction in the liability of the assessee as expressed in Indian currency for making payment towards the whole or a part of the cost of the asset or for repayment of the whole or a part of the moneys borrowed by him from any person, directly or indirectly, in any foreign currency specifically for the purpose of acquiring the asset (being in either case the liability existing immediately before the date on which the change in the rate of exchange takes effect), the amount by which the liability aforesaid is so increased or reduced during the previous year shall be added to, or, as the case may be, deducted from, the actual cost of the asset as defined in clause (*1*) of section 43 or the amount of expenditure of a capital nature referred to in clause (*iv*) of sub-section (*1*) of section 35 or in section 35A or in clause (*ix*) of sub-section (*1*) of section 36 or, in the case of a capital asset (not being a capital asset referred to in section 50), the cost of acquisition thereof for the purposes of section 48, and the amount arrived at after such addition or deduction shall be taken to be the actual cost of the asset or the amount of expenditure of a capital nature or, as the case may be, the cost of acquisition of the capital asset as aforesaid.

Explanation 1.—In this sub-section, unless the context otherwise requires,—

(*a*) "rate of exchange" means the rate of exchange determined or recognised by the Central Government for the

conversion of Indian currency into foreign currency or foreign currency into Indian currency;

(*b*) "foreign currency" and "Indian currency" have the meanings respectively assigned to them in section 2 of the Foreign Exchange Regulation Act, 1947.

7 of 1947.

Explanation 2.—Where the whole or any part of the liability aforesaid is met, not by the assessee, but, directly or indirectly, by any other person or authority, the liability so met shall not be taken into account for the purposes of this sub-section.

Explanation 3.—Where the assessee has entered into a contract with an authorised dealer as defined in section 2 of the Foreign Exchange Regulation Act, 1947 for providing him with a specified sum in a foreign currency on or after a stipulated future date at the rate of exchange specified in the contract to enable him to meet the whole or any part of the liability aforesaid, the amount, if any, to be added to, or deducted from, the actual cost of the asset or the amount of expenditure of a capital nature or, as the case may be, the cost of acquisition of the capital asset under this sub-section shall, in respect of so much of the sum specified in the contract as is available for discharging the liability aforesaid, be computed with reference to the rate of exchange specified therein.

7 of 1947.

(*2*) The provisions of sub-section (*1*) shall not be taken into account in computing the actual cost of an asset for the purpose of the deduction on account of development rebate under section 33.'.

18. In section 44 of the Income-tax Act, for the words and figures "sections 28 to 43", the words, figures and letter "sections 28 to 43A" shall be substituted. Amendment of section 44.

19. In section 47 of the Income-tax Act, after clause (*v*), the following clauses shall be added, namely:— Amendment of section 47.

"(*vi*) any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company;

(*vii*) any transfer by a shareholder, in a scheme of amalgamation, of a capital asset being a share or shares held by him in the amalgamating company if—

(*a*) the transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company, and

(*b*) the amalgamated company is an Indian company.".

Amendment of section 49.

20. Section 49 of the Income-tax Act shall be re-numbered as sub-section (*1*) thereof, and—

(*i*) in sub-section (*1*) as so re-numbered,—

(*a*) in sub-clause (*e*) of clause (*iii*), after the word, brackets and figure "clause (*v*)", the words, brackets and figures "or clause (*vi*)" shall be inserted;

(*b*) in the *Explanation*, for the word "section", wherever it occurs, the word "sub-section" shall be substituted; and

(*ii*) after sub-section (*1*) as so re-numbered, the following sub-section shall be added, namely:—

"(*2*) Where the capital asset being a share or shares in an amalgamated company which is an Indian company became the property of the assessee in consideration of a transfer referred to in clause (*vii*) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share or shares in the amalgamating company.".

Amendment of section 55.

21. In section 55 of the Income-tax Act,—

(*a*) in sub-clause (*b*)(*ii*) of clause (*1*), for the word and figures "section 49", the words, brackets and figures "sub-section (*1*) of section 49" shall be substituted;

(*b*) in sub-clause (*ii*) of clause (*2*), for the word and figures "section 49", the words, brackets and figures "sub-section (*1*) of section 49" shall be substituted.

Amendment of section 72

22. In section 72 of the Income-tax Act,—

(*i*) in sub-section (*1*), the following proviso shall be added at the end, namely:—

"Provided that where the whole or any part of such loss is sustained in any such business as is referred to in section 33B which is discontinued in the circumstances specified in that section, and, thereafter, at any time before the expiry of the period of three years referred to in that section, such business is re-established, reconstructed or revived by the assessee, so much of the loss as is attributable to such business shall be carried forward to the assessment year relevant

to the previous year in which the business is so re-established, reconstructed or revived, and —

(*a*) it shall be set off against the profits and gains, if any, of that business or any other business carried on by him and assessable for that assessment year; and

(*b*) if the loss cannot be wholly so set off, the amount of loss not so set off shall, in case the business so re-established, reconstructed or revived continues to be carried on by the assessee, be carried forward to the following assessment year and so on for seven assessment years immediately succeeding.";

(*ii*) in sub-section (*3*), after the words "No loss", the brackets, words and figure "[other than the loss referred to in the proviso to sub-section (*1*) of this section]" shall be inserted.

Insertion of new section 80F.

23. In Chapter VIA of the Income-tax Act, after section 80E, the following section shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1966, namely:—

Deduction in respect of remuneration from certain foreign sources in the case of professors, teachers, etc.

"80F. Where, in the case of an individual who is a citizen of India, the total income (as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O) includes any remuneration received by him outside India from any University or other educational institution established outside India or such other association or body established outside India as may be notified in this behalf by the Central Government in the Official Gazette, for any service rendered by him during his stay outside India in his capacity as a professor, teacher, or research worker in such University, institution, association or body, there shall be allowed a deduction from such remuneration of an amount equal to fifty per cent. thereof, in computing the total income of the individual:

Provided that where the individual renders continuous service outside India in such University, institution, association or body for a period exceeding thirty-six months, no deduction under this section shall be allowed in respect of the remuneration for such service relating to any period after the expiry of the thirty-six months aforesaid.".

Amendment of section 84.

24. In section 84 of the Income-tax Act,—

(*a*) for sub-section (*1*), the following sub-section shall be, and shall be deemed always to have been, substituted, namely:—

"(*1*) Save as otherwise hereinafter provided, income-tax shall not be payable by an assessee on so much of the profits

and gains derived from any industrial undertaking or business of a hotel or from any ship, to which this section applies, as does not exceed six per cent. per annum on the capital employed in such undertaking or business or ship, computed in the prescribed manner.";

(*b*) in sub-section (*2*),—

(*i*) for clause (*iii*), the following clause shall be, and shall be deemed always to have been, substituted, namely:—

"(*iii*) it manufactures or produces articles or operates one or more cold storage plants, in any part of India, and has begun or begins to manufacture or produce articles or to operate such plant or plants, at any time within the period of twenty-three years next following the 1st day of April, 1948, or such further period as the Central Government may, by notification in the Official Gazette, specify with reference to any particular industrial undertaking;";

(*ii*) in clause (*iv*), before the words "it employs ten or more workers", the words "in a case where the industrial undertaking manufactures or produces articles," shall be, and shall be deemed always to have been, inserted;

(*iii*) the following proviso shall be inserted at the end, namely:—

"Provided that the condition in clause (*i*) shall not apply in respect of any industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section.";

(*c*) for sub-section (*3*) and the *Explanation* occurring at the end, the following sub-section and *Explanation* shall, respectively, be substituted, namely:—

"(*3*) This section applies to the business of any hotel where all the following conditions are fulfilled, namely:—

(*a*) the business of the hotel starts functioning on or after the 1st day of April, 1961, and is not formed by the splitting up, or the reconstruction, of a business already in existence or by the transfer, to a new business, of a building previously used as a hotel, or of any machinery or plant previously used for any purpose;

(*b*) the business of the hotel is owned and carried on by a company registered in India with a paid-up capital of not less than five hundred thousand rupees;

(*c*) the hotel has such number and types of guest rooms and provides such amenities as may be prescribed, having regard to the population and the tourist importance of the place in which the hotel is located; and

(*d*) the hotel is, for the time being, approved for the purposes of this sub-section, by the Central Government.

Explanation.—Where—

(*a*) in the case of an industrial undertaking, any building, machinery or plant, or any part thereof, previously used for any purpose, or

(*b*) in the case of the business of a hotel, any building, or any part thereof, previously used as a hotel, or any machinery or plant, or any part thereof, previously used for any purpose,

is, in either case, transferred to a new business, and the total value of the building, machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the building, machinery or plant used in the business, then, for the purposes of clause (*ii*) of sub-section (*2*) and clause (*a*) of sub-section (*3*), the condition specified therein shall be deemed to have been complied with and the total value of the building, machinery or plant or part so transferred shall not be taken into account in computing the capital employed in the industrial undertaking or the business of the hotel.";

(*d*) after sub-section (*3*), the following sub-section shall be, and shall be deemed always to have been, inserted, namely:—

"(*3A*) This section applies to any ship where all the following conditions are fulfilled, namely:—

(*i*) it is owned by an Indian company and is wholly used for the purposes of the business carried on by it;

(*ii*) it was not, previous to the date of its acquisition by the Indian company, owned and used in Indian territorial waters by a person resident in India; and

(*iii*) it is brought into use by the Indian company at any time within a period of twenty-three years next following the 1st day of April, 1948.";

(*e*) in sub-section (*5*) and sub-section (*6*), for the words "profits or gains of an industrial undertaking or hotel", the

words "profits and gains derived from an industrial undertaking or business of a hotel or from a ship" shall be, and shall be deemed always to have been, substituted;

(*f*) in sub-section (7), in clause (*i*), after the words "manufacture or produce articles", the words "or, as the case may be, operate the cold storage plant or plants" shall be, and shall be deemed always to have been, inserted;

(*g*) in sub-section (*8*), for the words "a hotel" and "the hotel", the words "the business of a hotel" and "the business of the hotel" shall be, and shall be deemed always to have been, respectively, substituted.

(*h*) after sub-section (*8*), the following sub-section shall be, and shall be deemed always to have been, inserted, namely:—

"(*9*) The provisions of this section shall, in relation to a ship, apply to the assessment for the assessment year relevant to the previous year in which the ship is brought into use by the Indian company and for the four assessment years immediately succeeding.".

Substitution of new section for section 85.

25. For section 85 of the Income-tax Act, the following section shall be, and shall be deemed always to have been, substituted, namely:—

Dividend from new industrial undertaking or hotel business or ship.

"85. Subject to any rules that may be made by the Board in this behalf, income-tax shall not be payable by a shareholder in respect of so much of any dividend paid or deemed to be paid to him out of the profits and gains derived by a company from an industrial undertaking or the business of a hotel or a ship to which section 84 applies as is attributable to that part of such profits and gains on which income-tax is not payable by the company under section 84.".

Amendment of section 88.

26. In section 88 of the Income-tax Act,—

(*a*) in sub-section (*1*), after clause (*ia*), the following clause shall be inserted, namely:—

"(*ib*) as donations to the Prime Minister's Drought Relief Fund;";

(*b*) in sub-section (*3*), in the third proviso, after the word, brackets, figure and letter "clause (*ia*)", the words, brackets, figure and letter "or clause (*ib*)" shall be inserted.

Amendment of Chapter XIII.

27. In Chapter XIII of the Income-tax Act, under the sub-heading "*B —Jurisdiction*",—

(*1*) **in section 121, for sub-section (*2*), the following sub-section shall be substituted, namely:—**

"(*2*) **Where any directions issued under sub-section (*1*) have assigned to two or more Commissioners, the same area or the same persons or classes of persons or the same incomes or classes of income or the same cases or classes of cases, they shall have concurrent jurisdiction and shall perform such functions in relation to the said area or persons or classes of persons or incomes or classes of income or cases or classes of cases as the Board may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.**";

(*2*) **for section 123, the following section shall be substituted, namely:—**

Jurisdiction of Inspecting Assistant Commissioners

"**123.** (*1*) **Inspecting Assistant Commissioners shall perform their functions in respect of such areas or of such persons or classes of persons or of such incomes or classes of income or of such cases or classes of cases as the Commissioner may direct.**

(*2*) **Where any directions issued under sub-section (*1*) have assigned to two or more Inspecting Assistant Commissioners, the same area or the same persons or classes of persons or the same incomes or classes of income or the same cases or classes of cases, they shall have concurrent jurisdiction and shall perform such functions in relation to the said area or persons or classes of persons or incomes or classes of income or cases or classes of cases as the Commissioner may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.**";

(*3*) **in section 124,—**

(*i*) **for sub-sections (*1*) and (*2*), the following sub-sections shall be substituted, namely:—**

"(*1*) **Income-tax Officers shall perform their functions in respect of such areas or of such persons or classes of persons or of such incomes or classes of income or of such cases or classes of cases as the Commissioner may direct.**

(*2*) **Where any directions issued under sub-section (*1*) have assigned to two or more Income-tax Officers, the same area or the same persons or classes of persons or**

the same incomes or classes of income or the same cases or classes of cases, they shall have concurrent jurisdiction and shall perform such functions in relation to the said area or persons or classes of persons or incomes or classes of income or cases or classes of cases as the Commissioner, or the Inspecting Assistant Commissioner authorised by him in this behalf, may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.";

(*ii*) in sub-section (7), after the words "this section", the words, figures and letter "or in section 130A" shall be inserted;

(4) for section 125, the following section shall be substituted, namely:—

Powers of Commissioner respecting specified areas, cases, persons, etc.

"125. (*1*) The Commissioner may, by general or special order in writing, direct that—

(*a*) the powers conferred on the Income-tax Officer and the Appellate Assistant Commissioner by or under this Act shall, in respect of any specified case or class of cases or of any specified person or class of persons, be exercised by the Inspecting Assistant Commissioner and the Commissioner respectively;

(*b*) such of the functions assigned to the Income-tax Officer by or under this Act, as are specified in any such order may, in respect of any specified area, case or class of cases, person or class of persons or class of incomes, be performed by an Inspector of Income-tax or any member of the ministerial staff, subordinate to the Commissioner or any other Income-tax authority subordinate to him, and specified in such order, subject to such conditions, restrictions or limitations as may be specified therein:

Provided that the Commissioner shall not unless he is authorised in this behalf by the Board by general or special order in writing, make an order under clause (b) in relation to the functions of an Income-tax Officer mentioned in the following provisions of this Act, namely, sections 131, 132, 132A, 140A, 143, 144, 146, 147, 148, 162, 163, 171, 172, 174, 175, 176, 177, 178, 183, 184, 185, 189, 221, 222, 226, 228, 253, and 271 to 274 (both inclusive),

(*2*) For the purposes of any case or person or proceeding under this Act in respect of which or whom an order under sub-section (*1*) applies,—

(*a*) where such order is made under clause (*a*) of the said sub-section (*1*), references in this Act or in any rule made hereunder, to the Income-tax Officer and the Appellate Assistant Commissioner shall be deemed to be references to the Inspecting Assistant Commissioner and the Commissioner, respectively, and,—

(*i*) any provision of this Act requiring an approval or sanction of the Inspecting Assistant Commissioner shall not apply;

(*ii*) any appeal which would otherwise have lain to the Appellate Assistant Commissioner shall lie to the Commissioner;

(*iii*) any appeal which would have lain from an order of the Appellate Assistant Commissioner to the Appellate Tribunal shall lie from the order of the Commissioner;

(*b*) where such order is made under clause (*b*) of the said sub-section (*1*), references in this Act or in any rule made hereunder to the Income-tax Officer shall be deemed to include references to the Inspector of Income-tax or the member of the ministerial staff specified in such order.";

(*5*) for section 127, the following section shall be substituted, namely:—

'127. (*1*) The Commissioner may, after giving the assessee a reasonable opportunity of being heard in the matter, wherever it is possible to do so, and after recording his reasons for doing so, transfer any case from any Income-tax Officer or Income-tax Officers subordinate to him to any other Income-tax Officer or Income-tax Officers also subordinate to him and the Board may similarly transfer any case from any Income-tax Officer or Income-tax Officers to any other Income-tax Officer or Income-tax Officers: Power to transfer cases.

Provided that nothing in this sub-section shall be deemed to require any such opportunity to be given where the transfer is from any Income-tax Officer or Income-tax Officers to any other Income-tax Officer or Income-tax Officers and the offices of all such Income-tax Officers are situated in the same city, locality or place:

Provided further that where any case has been transferred from any Income-tax Officer or Income-tax Officers to two or more Income-tax Officers, the Income-tax Officers to whom the case is so transferred shall have concurrent jurisdiction over the case and shall perform such functions in relation to the said case as the Board or the Commissioner (or any Inspecting Assistant Commissioner authorised by the Commissioner in this behalf) may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.

(2) The transfer of a case under sub-section (1) may be made at any stage of the proceedings, and shall not render necessary the re-issue of any notice already issued by the Income-tax Officer or Income-tax Officers from whom the case is transferred.

Explanation.—**In this section and in sections 121, 123, 124 and 125, the word "case", in relation to any person whose name is specified in any order or direction issued thereunder, means all proceedings under this Act in respect of any year which may be pending on the date of such order or direction or which may have been completed on or before such date, and includes also all proceedings under this Act which may be commenced after the date of such order or direction in respect of any year.';**

(6) for section 128, the following section shall be substituted, namely:—

Functions of Inspectors of Income-tax.

"128. Inspectors of Income-tax shall perform such functions in the execution of this Act as are assigned to them by the Commissioner by an order, whether made under clause (b) of sub-section (1) of section 125 or otherwise, or by any other Income-tax authority under whom they are appointed to work.";

(7) after section 130, the following section shall be inserted, namely:—

Income-tax Officer competent to perform any function or functions.

"130A. In respect of any function to be performed by an Income-tax Officer under any provision of this Act in relation to an assessee, the Income-tax Officer referred to therein shall,—

(a) in a case where only one Income-tax Officer has jurisdiction over such assessee, be such Income-tax officer;

(*b*) **in a case where two or more Income-tax Officers have concurrent jurisdiction over such assessee, be the Income-tax Officer empowered to perform such function by the Board or, as the case may be, the Income-tax Officer to whom such function has been assigned by an order of the Commissioner or of the Inspecting Assistant Commissioner authorised by the Commissioner in this behalf.".**

Amendment of section 138.

28. In section 138 of the Income-tax Act, for sub-section (*1*), the following sub-section shall be substituted, namely:—

"(*1*) (*a*) The Board or any other Income-tax authority specified by it by a general or special order in this behalf may furnish or cause to be furnished to—

(*i*) any officer, authority or body performing any functions under any law relating to the imposition of any tax, duty or cess, or to dealings in foreign exchange as defined in section 2(*d*) of the Foreign Exchange Regulation Act, 1947; or

7 of 1947.

(*ii*) such officer, authority or body performing functions under any other law as the Central Government may, if in its opinion it is necessary so to do in the public interest, specify by notification in the Official Gazette in this behalf,

any such information relating to any assessee in respect of any assessment made under this Act or the Indian Income-tax Act, 1922 as may, in the opinion of the Board or other Income-tax authority, be necessary for the purpose of enabling the officer, authority or body to perform his or its functions under that law.

11 of 1922.

(*b*) Where a person makes an application to the Commissioner in the prescribed form for any information relating to any assessee in respect of any assessment made under this Act or the Indian Income-tax Act, 1922, on or after the 1st day of April, 1960, the Commissioner may, if he is satisfied that it is in the public interest so to do, furnish or cause to be furnished the information asked for in respect of that assessment only and his decision in this behalf shall be final and shall not be called in question in any court of law.".

11 of 1922

Amendment of section 172.

29. In section 172 of the Income-tax Act, in sub-section (*4*), for the words "rate or rates for the time being", the words "rate or rates in force" shall be substituted.

Amendment of Chapter XVII.

30. In Chapter XVII of the Income-tax Act, under the sub-heading "*B.—Deduction at source*",—

(*1*) in section 193, the *Explanation* shall be omitted.

(*2*) after section 194, the following section shall be inserted, namely:—

Brokerage, Commission, fees, etc.

'194A. (*1*) Any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of—

(*i*) brokerage or commission, or

(*ii*) fees or other remuneration for professional services (not being income chargeable under the head "Salaries"), or

(*iii*) interest other than "Interest on securities",

shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force :

Provided that no such deduction shall be made in a case where the person (not being a company or a registered firm) entitled to receive such income furnishes to the person responsible for making the payment an affidavit declaring that his total income assessable for the assessment year next following the financial year in which the income is credited or paid will be less than the minimum liable to income-tax

(*2*) The provisions of sub-section (*1*) shall not apply—

(*i*) in a case where the income referred to in clause (*i*) of that sub-section credited or paid at any one time does not exceed five hundred rupees or where the income referred to in clause (*ii*) or clause (*iii*) of that sub-section credited or paid at any one time does not exceed two hundred rupees;

(*ii*) in respect of any such credit or payment of such income made before the 1st day of October, 1967.';

(3) for section 196, the following section shall be substituted, namely:—

"196. Notwithstanding anything contained in the foregoing provisions of this Chapter, no deduction of tax shall be made by any person from any sums payable to— Interest or dividend or other sums payable to Government, Reserve Bank or certain corporations.

(*i*) the Government, or

(*ii*) the Reserve Bank of India, or

(*iii*) a corporation established by or under a Central Act which is, under any law for the time being in force, exempt from income-tax on its income,

where such sum is payable to it by way of interest or dividend in respect of any securities or shares owned by it or in which it has full beneficial interest, or any other income accruing or arising to it.";

(4) in section 197, in sub-section (*1*), for clause (*a*), the following clause shall be substituted, namely:—

"(*a*) income-tax is required to be deducted at the time of credit or, as the case may be, at the time of payment at the rates in force under the provisions of sections 192, 193, 194A and 195.";

(5) in sections 198, 199, 200, 202 and 205, for the words and figures "sections 192 to 195", the words, figures and letter "sections 192 to 194, section 194A and section 195" shall be substituted;

(6) for section 203, the following section shall be substituted, namely:—

"203. Every person deducting tax in accordance with the provisions of sections 192 to 194, section 194A and section 195 shall, at the time of credit or payment of the sum, or, as the case may be, at the time of issue of a cheque or warrant for payment of any dividend to a shareholder, furnish to the person to whose account such credit is given or to whom Certificate for tax deducted.

such payment is made or the cheque or warrant is issued, a certificate to the effect that tax has been deducted, and specifying the amount so deducted, the rate at which the tax has been deducted and such other particulars as may be prescribed.";

(7) in section 204,—

(i) for the words and figures "sections 192 to 203 and section 285", the words, figures and letter "sections 192 to 194, section 194A, sections 195 to 203 and section 285" shall be substituted;

(*ii*) in clause (*iii*), for the words "in the case of payment", the words "in the case of credit, or, as the case may be, payment" shall be substituted;

(8) after section 206, the following section shall be inserted, namely:—

Person paying interest, etc., to residents without deduction of tax, to furnish prescribed return.

"206A. Any person responsible for paying any income referred to in section 194A shall prepare, and within thirty days from the 31st day of March in each year, deliver or cause to be delivered to the Income-tax Officer in the prescribed form and verified in the prescribed manner a return in writing showing—

(*a*) the name and address of every person who has furnished to him an affidavit under the proviso to sub-section (1) of section 194A;

(*b*) the amount of the income credited or paid during the financial year to each such person and the time or times at which the same was credited or paid, as the case may be; and

(*c*) such other particulars as may be prescribed.".

Amendment of sections 209 and 215.

31. In sections 209 and 215 of the Income-tax Act, for the words and figures "sections 192 to 195", the words, figures and letter "sections 192 to 194, section 194A and section 195" shall be substituted.

Amendment of First Schedule.

32. In the First Schedule to the Income-tax Act, for the words and figures "sections 30 to 43", wherever they occur, the words, figures and letter "sections 30 to 43A" shall be substituted.

33. The amendments directed in the Third Schedule shall be made in the Income-tax Act with effect from the 1st day of April, 1968. Certain amendments to Income-tax Act to take effect from 1st April, 1968.

CHAPTER IV

OTHER DIRECT TAXES

34. In the Wealth-tax Act, 1957,— Amendment of Act 27 of 1957.

(*a*) in section *2*, in clause (*h*)—

(*i*) in sub-clause (*i*), the word "and" occurring at the end shall be omitted;

(*ii*) in sub-clause (*ii*), the word "and" shall be inserted at the end;

(*iii*) after sub-clause (*ii*), the following sub-clause shall be, and shall be deemed always to have been, inserted, namely:—

"(*iia*) a corporation established by or under a Central, Provincial or State Act, which is declared by the Central Government, by general or special order, to be a company for the purposes of this Act.".

(*b*) **in section 8, for the** *Explanation*, **the following proviso and** *Explanation* **shall be substituted, namely:—**

"Provided that where two or more Income-tax Officers have jurisdiction or exercise powers under the Income-tax Act in respect of any individual, Hindu undivided family or company, they shall have concurrent jurisdiction and perform such functions of a Wealth-tax Officer under this Act in respect of such individual, Hindu undivided family or company, as the case may be, as the Commissioner or the Inspecting Assistant Commissioner of Wealth-tax authorised by him in this behalf may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.

Explanation.—**For the purposes of this section, the Income-tax Officer or the Income-tax Officers having jurisdiction in relation to a person who is not an assessee within the**

meaning of the Income-tax Act, shall be the Income-tax Officer or Income-tax Officers in respect of the area in which that person resides.";

(c) for section 8A, the following sections shall be substituted, namely:—

Power of Commissioner respecting specified areas, cases or persons.

"8A. (1) The Commissioner may, by general or special order in writing, direct that such of the functions assigned to the Wealth-tax Officer by or under this Act as are specified in any such order may, in respect of any specified area or specified cases or classes of cases or specified persons or classes of persons, be performed by an Inspector of Wealth-tax or any member of the ministerial staff, appointed to work under the Commissioner or any other Wealth-tax authority subordinate to him, and specified in such order, subject to such conditions, restrictions or limitations as may be specified therein:

Provided that the Commissioner shall not, unless he is authorised in this behalf by the Board by general or special order in writing, make an order under this sub-section in relation to the functions of a Wealth-tax Officer mentioned in the following provisions of this Act, namely, sections 15B, 16, 17, 18, 20, 22, 24, 32, 37 and 37A.

(2) For the purposes of any case or person or proceeding under this Act in respect of which or whom any order under sub-section (1) applies, references in this Act or in any rule made hereunder to the Wealth-tax Officer shall be deemed to include references to the Inspector of Wealth-tax or the member of the ministerial staff specified in such order.

Power to transfer cases.

8B. (1) Notwithstanding anything contained in section 8, the Commissioner may, after giving the assessee a reasonable opportunity of being heard in the matter, wherever it is possible to do so, and after recording his reasons for doing so, transfer any case from any Wealth-tax Officer or Wealth-tax Officers subordinate to him to any other Wealth-tax Officer or Wealth-tax Officers also subordinate to him and the Board may similarly transfer any case from any Wealth-tax Officer or Wealth-tax Officers to any other Wealth-tax Officer or Wealth-tax Officers :

Provided that nothing in this sub-section shall be deemed to require any such opportunity to be given where the transfer is from any Wealth-tax Officer or Wealth-tax Officers to any other Wealth-tax Officer or Wealth-tax Officers and the offices of all such Wealth-tax Officers are situated in the same city, locality or place:

Provided further that where any case has been transferred from any Wealth-tax Officer or Wealth-tax Officers to two or more Wealth-tax Officers, the Wealth-tax Officers to whom the case is so transferred shall have concurrent jurisdiction over the case and shall perform such functions in relation to the said case as the Board or the Commissioner (or any Inspecting Assistant Commissioner of Wealth-tax authorised by the Commissioner in this behalf) may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.

(2) The transfer of a case under sub-section (*1*) may be made at any stage of the proceedings, and shall not render necessary the re-issue of any notice already issued by the Wealth-tax Officer or Wealth-tax Officers from whom the case is transferred.

Explanation.—In this section and in section 8A, the word "case", in relation to any person whose name is specified in any order made thereunder, means all proceedings under this Act in respect of any year which may be pending on the date of such order, or which may have been completed on or before such date, and includes also all proceedings under this Act which may be commenced after the date of such order in respect of any year.';

(*d*) in section 10, for the words "subject to such orders, if any, as the Board may make for the distribution and allocation of the work to be performed", the following words shall be substituted, namely:—

"and shall perform such functions in relation to the said area or persons or classes of persons as the Board may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed";

(*e*) in section 11, for the words "they shall perform their functions in accordance with such orders as the Commissioner may make for the distribution and allocation of the work to be performed" the following words shall be substituted, namely:—

"they shall have concurrent jurisdiction and shall perform such functions in respect of the said areas or persons or classes of persons as the Commissioner may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed";

(*f*) for section 11A, the following section shall be substituted, namely:—

Inspector of Wealth-tax

"11A. A Commissioner may empower any Inspector of Income-tax within the meaning of the Income-tax Act to work as an Inspector of Wealth-tax under any other Wealth-tax authority subordinate to him; and when he is so empowered, he shall perform such functions in the execution of this Act as are assigned to him by the Commissioner by an order, whether made under sub-section (*1*) of section 8A or otherwise, or by any other Wealth-tax authority under whom he is appointed to work.";

(*g*) after section 11A, the following section shall be inserted, namely:—

Wealth-tax Officer competent to perform any function or functions.

"11B. In respect of any function to be performed by a Wealth-tax Officer under any provision of this Act, in relation to any assessee, the Wealth-tax Officer referred to therein shall,—

(*a*) in a case where only one Wealth-tax Officer has jurisdiction over such assessee, be such Wealth-tax Officer;

(*b*) in a case where two or more Wealth-tax Officers have concurrent jurisdiction over such assessee, be the Wealth-tax Officer empowered to perform such function by the Board, or, as the case may be, the Wealth-tax Officer to whom such function has been assigned by an order of the Commissioner or of the Inspecting Assistant Commissioner of Wealth-tax authorised by the Commissioner in this behalf.".

35. In the Gift-tax Act, 1958,—

Amendment of Act 18 of 1958

(*a*) in section 7, for the *Explanation*, the following proviso and *Explanation* shall be substituted, namely:—

"Provided that where two or more Income-tax Officers have jurisdiction or exercise powers under the Income-tax Act in respect of any person, they shall have concurrent jurisdiction and perform such functions of a Gift-tax Officer under this Act in respect of such person, as the Commissioner or the Inspecting Assistant Commissioner of Gift-tax authorised by him in this behalf may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.

Explanation.—For the purposes of this section, the Income-tax Officer or Income-tax Officers having jurisdiction in relation to a person who has no income assessable to income-tax under the Income-tax Act, shall be the Income-tax Officer or Income-tax Officers in respect of the area in which that person resides.";

(*b*) for section 7A, the following sections shall be substituted, namely:—

Power of Commissioner respecting specified areas, cases or persons

'7A. (*1*) The Commissioner may, by general or special order in writing, direct that such of the functions assigned to the Gift-tax Officer by or under this Act as are specified in any such order may, in respect of any specified area or specified cases or classes of cases or specified persons or classes of persons, be performed by an Inspector of Gift-tax or any member of the ministerial staff, appointed to work under the Commissioner or any other Gift-tax authority subordinate to him, and specified in such order, subject to such conditions, restrictions or limitations as may be specified therein:

Provided that the Commissioner shall not, unless he is authorised in this behalf by the Board by general or special order in writing, make an order under this sub-section in relation to the functions of a Gift-tax Officer mentioned in the following provisions of this Act, namely, sections 15, 16, 17, 19A, 20, 21, 21A, 23, 32, 33 and 36.

(*2*) For the purposes of any case or person or proceeding under this Act, in respect of which or whom any order under sub-section (*1*) applies, references in this Act or in any rule made hereunder to the Gift-tax Officer shall be deemed to include references to the Inspector of Gift-tax or the member of the ministerial staff specified in such order.

Power to transfer cases

7B. (*1*) Notwithstanding anything contained in section 7, the Commissioner may, after giving the assessee a reasonable opportunity of being heard in the matter, wherever it is possible to do so, and after recording his reasons for doing so, transfer any case from any Gift-tax Officer or Gift-tax Officers subordinate to him to any other Gift-tax Officer or Gift-tax Officers also subordinate to him and the Board may similarly transfer any case from any Gift-tax Officer or Gift-tax Officers to any other Gift-tax Officer or Gift-tax Officers

Provided that nothing in this sub-section shall be deemed to require any such opportunity to be given where the transfer is from any Gift-tax Officer or Gift-tax Officers to any other Gift-tax Officer or Gift-tax Officers and the offices of all such Gift-tax Officers are situated in the same city, locality or place:

Provided further that where any case has been transferred from any Gift-tax Officer or Gift-tax Officers to two or more Gift-tax Officers, the Gift-tax Officers to whom the case is so transferred shall have concurrent jurisdiction over the case and shall perform such functions in relation to the said case as the Board or the Commissioner (or any Inspecting Assistant Commissioner of Gift-tax authorised by the Commissioner in this behalf) may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed.

(*2*) The transfer of a case under sub-section (*1*) may be made at any stage of the proceedings, and shall not render necessary the re-issue of any notice already issued by the Gift-tax Officer or Gift-tax Officers from whom the case is transferred.

Explanation.—In this section and in section 7A, the word "case", in relation to any person whose name is specified in any order made thereunder, means all proceedings under this Act in respect of any year which may be pending on the date of such order, or which may have been completed on or before such date, and includes also all proceedings under this Act which may be commenced after the date of such order in respect of any year.';

(c) in section 9, for the words "subject to such orders, if any, as the Board may make for the distribution and allocation of the work to be performed", the following words shall be substituted, namely:—

"and shall perform such functions in relation to the said area or persons or classes of persons as the Board may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed":

(d in section 10, for the words "they shall perform their functions in accordance with such orders as the Commissioner

may make for the distribution and allocation of the work to be performed", the following words shall be substituted, namely:—

"they shall have concurrent jurisdiction and shall perform such functions in respect of the said areas or persons or classes of persons as the Commissioner may, by general or special order in writing, specify, for the distribution and allocation of the work to be performed";

(*e*) for section 11, the following section shall be substituted, namely:—

Inspector of Gift-tax

"11. A Commissioner may empower any Inspector of Income-tax within the meaning of the Income-tax Act to work as an Inspector of Gift-tax under any other Gift-tax authority subordinate to him; and when he is so empowered, he shall perform such functions in the execution of this Act as are assigned to him by the Commissioner by an order, whether made under sub-section (*1*) of section 7A or otherwise, or by any other Gift-tax authority under whom he is appointed to work.";

(*f*) section 11A shall be re-numbered as section 11B and before section 11B as so re-numbered, the following section shall be inserted, namely:—

Gift-tax Officer competent to perform any function or functions.

"11A. In respect of any function to be performed by a Gift-tax Officer under any provision of this Act, in relation to any assessee, the Gift-tax Officer referred to therein shall,—

(*a*) in a case where only one Gift-tax Officer has jurisdiction over such assessee, be such Gift-tax Officer;

(*b*) in a case where two or more Gift-tax Officers have concurrent jurisdiction over such assessee, be the Gift-tax Officer empowered to perform such function by the Board, or, as the case may be, the Gift-tax Officer to whom such function has been assigned by an order of the Commissioner or of the Inspecting Assistant Commissioner of Gift-tax authorised by the Commissioner in this behalf.";

(*g*) in section 45,—

(*i*) after clause (*d*), the following clause shall be inserted, namely:

"(*da*) any company [other than a company to which clause (c) or clause (*d*) applies] to an Indian company in a scheme of amalgamation;";

(*ii*) the existing *Explanation* shall be re-numbered as *Explanation* 1 and after *Explanation* 1 as so re-numbered, the following *Explanation* shall be inserted, namely:—

'*Explanation 2.*—For the purpose of clause (*da*), the term "amalgamation" shall have the meaning assigned to it in clause (*1A*) of section 2 of the Income-tax Act.'

Amendment of Act 7 of 1964

36. In the Companies (Profits) Surtax Act, 1964,—

(*a*) **in section 3, in sub-section (*1*),—**

(*i*) **for the words "and Income-tax Officer", the words "Income-tax Officer and Inspector of Income-tax" shall be substituted;**

(*ii*) for the words "same as that he has", the words "same as he has" shall be substituted;

(*b*) **in section 18,—**

(*i*) **for the figures, words and brackets "131 to 136 (both inclusive)", the figures, letters, words and brackets "118, 125, 129, 130, 130A, 131, 132, 132A, 133 to 136 (both inclusive)" shall be substituted;**

(*ii*) for the figures, words and brackets "287 to 293 (both inclusive)", the figures, letters, words and brackets "287, 288, 288A, 288B, 289 to 293 (both inclusive)" shall be substituted.

CHAPTER V

INDIRECT TAXES

Amendment of Act 32 of 1934.

37. In the First Schedule to the Indian Tariff Act, 1934 (hereinafter referred to as the ariff Act), in column 3, against each of the items Nos. 1, 6, 6(1), 12(3), 13(5), 13(7), 15(3), 25(2), 25(6), 26, 26(1), 46(2), 53(1), 64(1), 64(2), 65(1), 67(3), 68(1), 68(3), 69, 69(1), 70(7), 70(8), 72(8), 72(9), 72(29), 72(31) (*a*), 72(31) (*b*), 72(32) (*a*), 72(32) (*b*), 76(2) and 84(*a*) (*ii*), the word "Revenue" shall be inserted.

Special duties of customs

38. (*1*) In the case of goods chargeable with a duty of customs which is specified in the First Schedule to the Tariff Act, or in that Schedule as amended by a subsequent Central Act, if any, or in that Schedule read with any notification of the Central Government for the time being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a special duty of customs equal to 10 per cent. of such amount:

Provided that in computing the total amount so chargeable, any duty chargeable under section 2A of the Tariff Act or section 39 of this Act shall not be included.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1968, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 10 of 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

Regulatory duties of customs

39. (1) With a view to regulating or bringing greater economy in imports, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act or in that Schedule as amended by a subsequent Central Act, if any, a regulatory duty of customs not exceeding—

(a) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A or sub-section (1) of section 4 of the Tariff Act; or

(b) 10 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 52 of 1962 1962,

whichever is higher:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of May, 1968, except as respects things done or omitted to be done 10 of 1897 before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods 52 of 1962 under the Customs Act, 1962.

52 of 1962 (4) The provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations.

(5) Every notification issued under sub-section (*1*) shall, as soon as may be after it is issued, be placed before each House of Parliament.

Amendment of Act 1 of 1944.

40. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the First Schedule,—

(*a*) in Item No. 2, for the entry in the third column, the entry "Eighty-five rupees per quintal." shall be substituted;

(*b*) in Item No. 4, under "II. *Manufactured tobacco*—", for the entries in the third column against sub-items (*1*) (*i*), (*1*) (*ii*), (*1*) (*iii*) and (*1*) (*iv*), the entries "Twenty-one rupees.", "Twelve rupees and seventy-five paise.", "Four rupees and fifty paise." and "One rupee and twenty paise." shall, respectively, be substituted;

(*c*) in Item No. 6, for the entry in the third column, the entry "Five hundred and fifty rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;

(*d*) in Item No. 11A, for the entry in the third column, the entry "Twenty per cent. *ad valorem*." shall be substituted;

(*e*) in Item No. 15A, for the entry in the third column, the entry "Thirty per cent. *ad valorem*." shall be substituted;

(*f*) for Item No. 16A, the following item shall be substituted, namely:—

"16A	RUBBER PRODUCTS, THE FOLLOWING, NAMELY :—	
(*1*)	Latex foam sponge . . .	Twenty per cent. *ad valorem*.
(*2*)	Plates, sheets and strips unhardened, whether vulcanised or not, and whether combined with any textile material or otherwise	Twenty per cent. *ad valorem*.
(*3*)	Piping and tubing, of unhardened vulcanised rubber	Fifteen per cent. *ad valorem*.
(*4*)	Transmission, conveyor or elevator belts or belting, of vulcanised rubber	Fifteen per cent. *ad valorem*.";

(*g*) in Item No. 18, for the entry in the third column, the entry "Forty-five rupees per kilogram." shall be substituted;

(*h*) in Item No. 18A, for the entries in the third column, against sub-items (*1*) and (*2*), the entries "Six rupees and fifty paise per kilogram." and "One rupee per kilogram." shall, respectively, be substituted;

(*i*) in Item No. 22A, for the entries in the third column, against sub-items (*i*) and (*ii*), the entries "Three hundred and seventy-five rupees per metric tonne." and "One hundred and seventy-five rupees per metric tonne." shall, respectively, be substituted;

(*j*) in Item No. 27, for the entries in the third column against sub-items (*a*), (*b*), (*bb*), (*c*) and (*d*), the entries "Nine hundred and fifty rupees per metric tonne.", "One thousand four hundred and fifty rupees per metric tonne.", "Two thousand rupees per metric tonne.", "Twenty per cent. *ad valorem*." and "Twenty per cent. *ad valorem*." shall, respectively, be substituted.

Special duties of excise on certain goods.

41. (*1*) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises Act (as amended by this Act or any subsequent Central Act) read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected—

(*a*) as respects goods comprised in Items Nos. 6, 8, 9, 14D, 22A, 23A except sub-item (*1*) thereof, 23B, 28, 29, sub-items (*2*) and (*3*) of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods;

(*b*) as respects goods comprised in Items Nos. 2, 3(*1*), sub-items I, II(*2*) and II(*3*) of Item No. 4, Items Nos. 13, 14, 14F, 15, 15A, 15B, 16, 16A, 17, 18A(*2*), 21, 22, 23, 23A(*1*), 27, 30, 31(*1*), 33, sub-items (*1*), (*3a*) and (*4*) of Item No. 34 and Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods; and

(c) as respects goods comprised in Items Nos. 4 II(*1*), 18, 18A(*1*), 18B, 20, 29A, 33A, sub-items (*2*) and (*3*) of Item No. 34 and radiograms comprised in Item No. 37A of that Schedule, a special duty of excise equal to 33⅓ per cent. of the total amount so chargeable on such goods.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1968, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

Regulatory duties of excise.

42. (1) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act as amended by this Act or any subsequent Central Act, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of May, 1968, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such regulatory duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

CHAPTER VI

MISCELLANEOUS

Amendment of Act 6 of 1898.

43. In the First Schedule to the Indian Post Office Act, 1898,—

(*a*) for the sub-heading "*Registered Newspapers*" and entries thereunder, the following shall be substituted, namely:—

"*Registered Newspapers*

For a weight not exceeding one hundred grams	5 paise
For a weight exceeding one hundred grams and not exceeding two hundred and fifty grams	10 paise
For every two hundred and fifty grams, or fraction thereof, exceeding two hundred and fifty grams	5 paise
In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet	
For a weight not exceeding one hundred grams	5 paise
For every additional one hundred and fifty grams, or fraction thereof, in excess of one hundred grams:	5 paise

Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the Post Office.";

(*b*) for the sub-heading "*Parcels*" and entries thereunder, the following shall be substituted, namely:—

"Parcels	
For a weight not exceeding four hundred grams	65 paise
For every four hundred grams, or fraction thereof, exceeding four hundred grams	65 paise.".

Amendment of Act 47 of 1961.

44. In the Deposit Insurance Corporation Act, 1961, for section 30, the following section shall be substituted, namely:—

Income-tax.

"30. Notwithstanding anything contained in the Income-tax Act, 1961, the Corporation shall not be liable to pay any tax under that Act on any of its income, profits or gains for the accounting year during which the Corporation is established and for nine accounting years following that year.". 43 of 1961.

Certain amendments made in Act 52 of 1963 by Act 17 of 1966 to be given retrospective effect.

45. Notwithstanding anything contained in any law for the time being in force or any notification issued thereunder, the amendments made in section 32 of the Unit Trust of India Act, 1963 by section 10 of the Unit Trust of India (Amendment) Act, 1966 shall be deemed to have been made with effect from the 1st day of April, 1964. 52 of 1963. 17 of 1966.

Recovery of tax on income voluntarily disclosed.

46. Notwithstanding anything contained in section 68 of the Finance Act, 1965— 10 of 1965.

(*a*) any income-tax which is payable by a person on the amount of income declared by him under the provisions of sub-section (*1*) of that section but has not been paid within the period referred to therein (such tax being hereafter in this section referred to as the outstanding tax) shall be deemed to be tax due from the declarant on the date next following the expiry of the said period under a notice of demand issued under section 156 of the Income-tax Act, and the provisions of Chapter XV and Chapter XVII-D of, and the Second Schedule and the Third Schedule to, that Act shall, so far as may be, apply accordingly, subject to the modification that in section 231 of the said Act, references to one year shall be construed as references to two years; and

(*b*) the outstanding tax which is paid at any time after the expiry of the period referred to in sub-section (*1*) of the said section 68 or is recovered under the provisions of clause (*a*) shall, for the purposes of sub-section (*6*) of the said section 68, be deemed to be tax paid by the declarant under that section.

12 of 1967. **47.** Section 2 and section 3 of the Finance Act, 1967 are hereby repealed and shall be deemed never to have been enacted. Repeal.

Declaration under the Provisional Collection of Taxes Act, 1931

It is hereby declared that it is expedient in the public interest that the provisions of clauses 38, 40 and 41 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

THE FIRST SCHEDULE

(*See* section 2)

PART I

INCOME-TAX AND SURCHARGES ON INCOME-TAX

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1)	where the total income does not exceed Rs. 5,000	5 per cent. of the total income,
(2)	where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3)	where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4)	where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000;

(5)	where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6)	where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(7)	where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(8)	where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000]	Rs. 16,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000;
(9)	where the total income [exceeds Rs. 70,000	Rs. 28,000 *plus* 65 per cent. of the amount by which the total income exceeds Rs. 70,000:

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(*i*) no income-tax shall be payable on a total income not exceeding the following limit, namely:—

(*a*) Rs. 7,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:—

(*1*) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(*2*) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(*b*) Rs. 4,000 in every other case;

(*ii*) where such person is an individual or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(*a*) Rs. 125	in the case of an unmarried individual ;
(*b*) Rs. 200	in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener ;
(*c*) Rs. 220	in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family ;

(*d*) Rs. 240	in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family ;

(*iii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds the limit specified in sub-clause (*a*) or, as the case may be, sub-clause (b) of clause (*i*) of this proviso.

Surcharges on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) where—

(*i*) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government or income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or

52 of 1963.

(*ii*) in any other case, the amount of unearned income included in the total income,

exceeds Rs. 15,000,

a surcharge calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 15,000 if it had been the total income, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 14,500.	20 per cent. of the amount of such difference;
(2) where the amount of the difference exceeds Rs. 14,500	Rs. 2,900 *plus* 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 14,500 ;

(*b*) where—

(*i*) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government and income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or

52 of 1963.

(*ii*) in any other case, the earned income included in the total income,

exceeds Rs. 1 lakh,

a surcharge calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the income-tax computed in respect of a total income of Rs. 1 lakh, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 65,000	5 per cent. of the amount of such difference ;
(2) where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,000	Rs. 3,250 *plus* 10 per cent. of the amount by which the difference aforesaid exceeds Rs. 65,000 ;
(3) where the amount of the difference exceeds Rs. 1,30,000	Rs. 9,750 *plus* 15 per cent. of the amount by which the difference aforesaid exceeds Rs. 1,30,000 ; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed in accordance with the preceding provisions of this Paragraph; and

(*ii*) the aggregate of the amounts of the surcharges calculated in accordance with clause (*a*) and clause (*b*) of this sub-paragraph.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000 ;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000	Rs. 3,750 *plus* 41 per cent. of the amount by which the total income exceeds Rs. 25,000:

Provided that—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 4,000; and

(*ii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 4,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) where the total income exceeds Rs. 25,000, a surcharge calculated at the rate of 6¼ per cent. of the amount of the difference between the income-tax computed at the rates hereinbefore specified and the income-tax computed in respect of a total income of Rs. 25,000; and

(*b*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 25,000	*Nil*;
(2) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000;
(3) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 *plus* 8 per cent. of the amount by which the total income exceeds Rs. 50,000;
(4) where the total income exceeds Rs. 1,00,000	Rs. 5,500 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for pur-

poses of the Union calculated as specified hereunder:—

(*a*) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

(*b*) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*c*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*), or, as the case may be, clause (*b*) of this sub-paragraph.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income .. 45 per cent.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*b*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph,

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

(*i*)	on that part of its total income which consists of profits and gains from life insurance business	52·5 per cent. ;
(*ii*)	on the balance, if any, of the total income	the rate of income-tax applicable, in accordance with Paragraph E of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 3 of 1956

Rates of income-tax

I. In the case of a domestic company—

(A)	(1) where the company is a company in which the public are substantially interested,—	
	(i) in a case where the total income does not exceed Rs. 25,000	45 per cent. of the total income;
	(ii) in a case where the total income exceeds Rs. 25,000	55 per cent. of the total income;
	(2) where the company is not a company in which the public are substantially interested,—	
	(*i*) in the case of an industrial company—	
	(1) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent. ;
	(2) on the balance, if any, of the total income	60 per cent. ;
	(*ii*) in any other case	65 per cent. of the total income ; and
(B)	in addition, where the company is—	
	(i) a company in which the public are substantially interested, or	

(*ii*) a company as is referred to in clause (*iii*) of sub-section (*2*) or clause (*a*) or clause (*b*) of sub-section (*4*) of section 104 of the Income-tax Act, or	
(*iii*) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (*3*) of that section,	
on so much of the total income as does not exceed the relevant amount of distributions of dividends by the company	7.5 per cent.:

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 25,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 25,000 (the income of Rs. 25,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) 80 per cent. of the amount by which its total income exceeds Rs. 25,000.

Explanation 1.—In clause (B), the expression "the relevant amount of distributions of dividends" means the aggregate of the following amounts, namely:—

(*a*) the amount, if any, by which the "relevant amount of distributions of dividends" by the company as computed in accordance with *Explanation* 1 to item I of Paragraph F of Part I of the First Schedule to the Finance Act, 1966 exceeds its total income (reduced by the amount of capital gains, if any, relating to capital assets other than short-term capital assets included therein) assessable for the assessment year commencing on the 1st day of April, 1966; and 13 of 1966

(*b*) so much of the amount of the dividends, other than dividends on preference shares, declared or distributed by the company during the previous year as exceeds ten per cent. of its paid-up equity share capital as on the 1st day of the previous year.

Explanation 2.—For the purposes of clause (B), where a part of the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares) shall be deemed to be such proportion thereof as the sum specified in clause (*a*) bears to the sum specified in clause (*b*), such sums being—

(*a*) the average amount of the total income of the company of the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year; and

(*b*) the average amount of the total profits and gains (excluding capital receipts) of the company of the five previous years referred to in clause (*a*) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

Explanation 3.—For the removal of doubts, it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during that year, the amount of such dividends shall not be included in the amount of dividends referred to in clause (*b*) of *Explanation* 1.

II. In the case of a company other than a domestic company—

(i) on so much of the total income as consists of—	
(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961,. or	
(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent.;
(*ii*) on the balance, if any,, of the total income	70 per cent.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A and 195 of the Income-tax Act, tax is to be deducted at the rates

in force, deduction shall be made from the income subject to deduction, at the following rates:—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(*a*) where the person is resident—		
(*i*) on income by way of brokerage or commission	12·5 per cent.	2·5 per cent.
(*ii*) on any other income (excluding interest payable on a tax free security)	18 per cent.	4 per cent.
(*b*) where the person is not resident in India—		
(*i*) on the whole income (excluding interest payable on a tax free security)	Income-tax at 25 per cent. and surcharge at 8 per cent. of the amount of the income *or* income-tax and surcharges on income-tax in respect of the income at the rates prescribed in Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;	
(*ii*) on the income by way of interest payable on a tax free security	12·5 per cent.	4 per cent.
2. In the case of a company—		
(*a*) where the company is a domestic company—		
(*i*) on income by way of brokerage or commission	15 per cent.	*Nil*
(*ii*) on any other income (excluding interest payable on a tax free security)	22 per cent.	*Nil*
(*b*) where the company is not a domestic company—		
(*i*) on the income by way of dividends payable by an Indian company as is referred to in the proviso to section 85A of the Income-tax Act	14 per cent.	*Nil*
(*ii*) on the income by way of dividends payable by any domestic company other than a company referred to in (*i*) hereinabove	28 per cent.	*Nil*
(*iii*) on the income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been approved by the Central Government	50 per cent.	*Nil*

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*iv*) on the income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government	50 per cent.	*Nil*
(*v*) on the income by way of interest payable on a tax free security	44 per cent.	*Nil*
(*vi*) on any other income	70 per cent.	*Nil.*

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the following rate or rates: —

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000 ;

(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000 ;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ;
(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(9) where the total income exceeds Rs. 70,000	Rs. 28,000 *plus* 65 per cent. of the amount by which the total income exceeds Rs. 70,000 :

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(*i*) no income-tax shall be payable on a total income not exceeding the following limit, namely:—

(*a*) Rs. 7,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:—

(1) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(2) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(*b*) Rs. 4,000 in every other case;

(*ii*) where such person is an individual whose total income does not exceed Rs. 10,000 and who has, during the previous year, incurred any expenditure for the maintenance of any one or more of his parents or grand-parents mainly dependent on him, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(*a*) Rs. 145	in the case of an unmarried individual;
(*b*) Rs. 220	in the case of a married individual who has no child mainly dependent on him;

(*c*) Rs. 240 . . . . in the case of a married individual who has one child mainly dependent on him;

(*d*) Rs. 260 . . in the case of a married individual who has more than one child mainly dependent on him;

(*iii*) where such person is an individual not falling under clause (*ii*) or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(*a*) Rs. 125 . . . . in the case of an unmarried individual;

(*b*) Rs. 200 . . . . in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener ;

(*c*) Rs. 220 . . . . in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family ;

(*d*) Rs. 240 . . . . in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family ;

(*iv*) (*A*) where such person is an individual whose total income exceeds Rs 10,000 but does not exceed Rs. 20,000, and who has, during the previous year, incurred any expenditure for the maintenance of any one or more of his parents or grandparents mainly dependent on him, the income-tax payable by him in respect of such total income shall not exceed the aggregate of—

(*1*) the income-tax which would have been payable by the individual if his total income had been Rs. 10,000, and

(*2*) 40 per cent. of the amount by which the total income of the individual exceeds Rs. 10,000;

(*B*) where such person is not an individual whose case falls under sub-clause (*A*) and the total income of such person does not exceed Rs. 20,000, the income-tax payable thereon shall not exceed 40 per cent. of the amount by which the total income exceeds the limit specified in sub-clause (*a*) or, as the case may be, sub-clause (*b*) of clause (*i*) of this proviso.

Explanation.—For the purposes of clause (*ii*) and sub-clause (*A*) of clause (*iv*) of this proviso, a parent or grand-parent of an individual shall not be treated as being mainly dependent on such individual if the income of the parent or, as the case may be, the grand-parent from all sources in respect of the previous year relevant to the assessment year exceeds one thousand rupees.

Surcharges on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) where—

(*i*) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government or income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or 52 of 1963.

(*ii*) in any other case, the amount of unearned income included in the total income,

exceeds Rs. 30,000,

a surcharge calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 30,000 if it had been the total income, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 10,000	20 per cent. of the amount of such difference;
(2) where the amount of the difference exceeds Rs. 10,000	Rs. 2,000 *plus* 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 10,000;

(*b*) where—

(*i*) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government and income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or 52 of 1963.

(*ii*) in any other case, the earned income included in the total income,

exceeds Rs. 1 lakh,

a surcharge calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the income-tax computed in respect of a total income of Rs. 1 lakh, at the following rate, namely:—

(1)	where the amount of the difference does not exceed Rs. 65,000	5 per cent. of the amount of such difference;
(2)	where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,000	Rs. 3,250 *plus* 10 per cent. of the amount by which the difference aforesaid exceeds Rs. 65,000;
(3)	where the amount of the difference exceeds Rs. 1,30,000	Rs. 9,750 *plus* 15 per cent. of the amount by which the difference aforesaid exceeds Rs. 1,30,000; and

(*c*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed in accordance with the preceding provisions of this Paragraph; and

(*ii*) the aggregate of the amounts of the surcharges calculated in accordance with clause (*a*) and clause (*b*) of this sub-paragraph

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1)	where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2)	where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3)	where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4)	where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000;
(5)	where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6)	where the total income exceeds Rs. 25,000	Rs. 3,750 *plus* 41 per cent. of the amount by which the total income exceeds Rs. 25,000.

Provided that—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 4,000; and

(*ii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 4,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) where the total income exceeds Rs. 25,000, a surcharge calculated at the rate of 6¼ per cent. of the amount of the difference between the income-tax computed at the rates hereinbefore specified and the income-tax computed in respect of a total income of Rs. 25,000; and

(*b*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1)	where the total income does not exceed Rs. 25,000	*Nil*;
(2)	where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000;
(3)	where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 *plus* 8 per cent. of the amount by which the total income exceeds Rs. 50,000;
(4)	where the total income exceeds Rs. 1,00,000	Rs. 5,500 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

(*b*) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*c*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*), or, as the case may be, clause (*b*) of this sub-paragraph.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income . 45 per cent.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*b*) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) of this sub-paragraph,

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

(i) on that part of its total income which consists of profits and gains from life insurance business	52·5 per cent.;
(ii) on the balance, if any, of the total income	the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

I. In the case of a domestic company—

(A)(1) where the company is a company in which the public are substantially interested,—	
(*i*) in a case where the total income does not exceed Rs. 50,000	45 per cent. of the total income;
(*ii*) in a case where the total income exceeds Rs. 50,000	55 per cent. of the total income;
(2) where the company is not a company in which the public are substantially interested,—	
(*i*) in the case of an industrial company—	
(1) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent.;
(2) on the balance, if any, of the total income	60 per cent.;
(*ii*) in any other case . .	65 per cent. of the total income; and
(B) in addition, where the company is—	
(*i*) a company in which the public are substantially interested, or	

(*ii*) a company as is referred to in clause (*iii*) of sub-section (*2*) or clause (*a*) or clause (*b*) of sub-section (*4*) of section 104 of the Income-tax Act, or (*iii*) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (*3*) of that section,	
on so much of the total income as does not exceed the relevant amount of distributions of dividends by the company	7·5 per cent.:

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) 80 per cent of the amount by which its total income exceeds Rs. 50,000.

Explanation 1.—In clause (B), the expression "the relevant amount of distributions of dividends" means the aggregate of the following amounts, namely:—

(*a*) the amount, if any, by which the "relevant amount of distributions of dividends" by the company as computed in accordance with *Explanation* 1 to item I of Paragraph F of Part I of the First Schedule to the Finance Act, 1966 exceeds its total income (reduced by the amount of capital gains, if any, relating to capital assets other than short-term capital assets included therein) assessable for the assessment year commencing on the 1st day of April, 1966; and

13 of 1966.

(*b*) so much of the amount of the dividends, other than dividends on preference shares, declared or distributed by the company during the previous year as exceeds ten per cent. of its

paid-up equity share capital as on the 1st day of the previous year.

Explanation 2.—For the purposes of clause (B), where a part of the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares) shall be deemed to be such proportion thereof as the sum specified in clause (*a*) bears to the sum specified in clause (*b*), such sums being—

(*a*) the average amount of the total income of the company of the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year; and

(*b*) the average amount of the total profits and gains (excluding capital receipts) of the company of the five previous years referred to in clause (*a*) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

Explanation 3.—For the removal of doubts, it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during that year, the amount of such dividends shall not be included in the amount of dividends referred to in clause (*b*) of *Explanation* 1.

II. In the case of a company other than a domestic company:—

(i) on so much of the total income as consists of—	
(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or	
(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent.;
(ii) on the balance, if any, of the total income	70 per cent.

THE SECOND SCHEDULE

(*See* section 3)

Rates of annuity deposits

(*i*) In the case of any depositor whose total income does not exceed Rs. 15,000	*Nil.*
(*ii*) In the case of any depositor whose total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	5 per cent. of the adjusted total income :

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000.

(*iii*) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	7½ per cent. of the adjusted total income :

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at five per cent. on so much of the adjusted total income as does not exceed Rs. 20,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 20,000.

(*iv*) In the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs. 70,000	10 per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at seven and a half per cent. on so much of the adjusted total income as does not exceed Rs. 40,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 40,000.

(*v*) In the case of a depositor whose total income exceeds Rs. 70,000	12½ per cent. of the adjusted total income ;

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at ten per cent. on so much of the adjusted total income as does not exceed Rs. 70,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 70,000.

Explanation.—In this Schedule, "total income" means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.

THE THIRD SCHEDULE

(*See* section 33)

AMENDMENTS IN THE INCOME-TAX ACT

1. *Section 10.*—After clause (*28*), insert—

"(*29*) in the case of an authority constituted under any law for the time being in force for the marketing of commodities, any income derived from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities.".

2. *Section 32.*—

(*a*) in sub-section (*1*), after clause (*iv*), insert—

"(*v*) in the case of any new building, the erection of which is completed after the 31st day of March, 1967, where the building is owned by an Indian company and used by such company as a hotel and such hotel is for the time being approved in this behalf by the Central Government, a sum equal to twenty-five per cent. of the actual cost of erection of the building to the assessee, in respect of the previous year in which the erection of the building is completed or, if such building is first brought into use as a hotel in the immediately succeeding previous year, then in respect of that previous year; but any such sum shall not be deductible in determining the written down value for the purposes of clause (*ii*).";

(*b*) in sub-section (*2*), after "clause (*iv*)", insert "or clause (*v*)".

3. *Section 33.*—

(*a*) for sub-section (*1*), substitute—

"(*1*) (*a*) In respect of a new ship or new machinery or plant (other than office appliances or road transport

vehicles) which is owned by the assessee and is wholly used for the purposes of the business carried on by him, there shall, in accordance with and subject to the provisions of this section and of section 34, be allowed a deduction, in respect of the previous year in which the ship was acquired or the machinery or plant was installed or, if the ship, machinery or plant is first put to use in the immediately succeeding previous year, then, in respect of that previous year, a sum by way of development rebate as specified in clause (*b*).

(*b*) The sum referred to in clause (*a*) shall be—

(*A*) in the case of a ship, forty per cent. of the actual cost thereof to the assessee;

(*B*) in the case of machinery or plant,—

(*i*) where the machinery or plant is installed for the purposes of business of construction, manufacture or production of any one or more of the articles or things specified in the list in the Fifth Schedule,—

(*a*) thirty-five per cent. of the actual cost of the machinery or plant to the assessee, where it is installed before the 1st day of April, 1970, and

(*b*) twenty-five per cent. of such cost where it is installed after the 31st day of March, 1970;

(*ii*) where the machinery or plant is installed after the 31st day of March, 1967, by an assessee being an Indian company in premises used by it as a hotel and such hotel is for the time being approved in this behalf by the Central Government—

(*a*) thirty-five per cent. of the actual cost of the machinery or plant to the assessee, where it is installed before the 1st day of April, 1970, and

(*b*) twenty-five per cent. of such cost where it is installed after the 31st day of March, 1970;

(*iii*) where the machinery or plant is installed after the 31st day of March, 1967, being an asset

representing expenditure of a capital nature on scientific research related to the business carried on by the assessee, —

(*a*) thirty-five per cent. of the actual cost of the machinery or plant to the assessee, where it is installed before the 1st day of April, 1970, and

(*b*) twenty-five per cent. of such cost, where it is installed after the 31st day of March, 1970;

(*iv*) in any other case,—

(*a*) twenty per cent. of the actual cost of the machinery or plant to the assessee, where it is installed before the 1st day of April, 1970, and

(*b*) fifteen per cent. of such cost where it is installed after the 31st day of March, 1970.";

(*b*) in sub-section (*2*), for "[the total income for this purpose being computed without making any allowance under sub-section (*1*) or sub-section (*1A*) of this section or sub-section (*1*) of section 33A]", in both places, substitute—

"[the total income for this purpose being computed without making any allowance under sub-section (*1*) or sub-section (*1A*) of this section or sub-section (*1*) of section 33A or any deduction under Chapter VIA or section 280O]".

(*c*) in sub-section (*6*), add at the end—

"Provided that the provisions of this sub-section shall not apply in the case of an assessee being an Indian company, in respect of any machinery or plant installed by it in premises used by it as a hotel, where the hotel is for the time being approved in this behalf by the Central Government.".

4. *Section 33A.*—In sub-section (*2*), for "[the total income for this purpose being computed after making the allowance under sub-section (*1*) or sub-section (*1A*) or clause (*ii*) of sub-section (*2*) of section 33 but without making any allowance under sub-section (*1*) of this section]", in both places, substitute—

"[the total income for this purpose being computed after deduction of the allowance under sub-section (*1*) or sub-section

(*1A*) or clause (*ii*) of sub-section (*2*) of section 33, but without making any deduction under sub-section (*1*) of this section or any deduction under Chapter VIA or section 280O]".

5. *Section 35.*—In sub-section (*2*),—

(*i*) for clause (*i*), substitute—

"(*i*) in a case where such capital expenditure is incurred before the 1st day of April, 1967, one-fifth of the capital expenditure incurred in any previous year shall be deducted for that previous year; and the balance of the expenditure shall be deducted in equal instalments for each of the four immediately succeeding previous years;

(*ia*) in a case where such capital expenditure is incurred after the 31st day of March, 1967, the whole of such capital expenditure incurred in any previous year shall be deducted for that previous year.";

(*ii*) in clause (*ii*), after "an asset representing expenditure of a capital nature", insert "incurred before the 1st day of April, 1967";

(*iii*) in clause (*v*), for "where the asset is used", substitute "where the asset mentioned in clause (*ii*) is used".

6. *Section 36.*—In clause (*viii*) of sub-section (*1*), for "of the total income carried to such reserve account", substitute "of the total income (computed before making any deduction under Chapter VIA) carried to such reserve account".

7. *Section 41.*—In sub-section (*3*), after "the total amount of the deductions made under clause (*i*)", insert "or, as the case may be, the amount of the deduction under clause (*ia*)".

8. *Section 43.*—For the proviso to clause (*1*), substitute—

"Provided that where the actual cost of an asset, being a motor car which is acquired by the assessee after the 31st day of March, 1967 and is used otherwise than in a business of running it on hire for tourists, exceeds twenty-five thousand rupees, the excess of the actual cost over such amount shall be ignored, and the actual cost thereof shall be taken to be twenty-five thousand rupees.".

9. *Section 66.*—Omit "and any amount in respect of which the assessee is entitled to a deduction from the amount of income-tax on his total income with which he is chargeable for any assessment year in accordance with, and to the extent provided in sections 87, 87A and 88".

10. *Section* 71.—For sub-section (*2*), substitute—

'(*2*) Where in respect of any assessment year the net result of the computation under any head of income other than "Capital gains" is a loss and the assessee has income assessable under the head "Capital gains", such loss may, subject to the provisions of this Chapter, be set off--

(*i*) against the income, if any, of the assessee assessable for that assessment year under any head including income assessable under the head "Capital gains" (whether relating to short-term capital assets or any other capital assets), or

(*ii*) if the assessee so desires, only against his income, if any, under the head "Capital gains", in so far as such income relates to short-term capital assets, and income under any other head.

(*3*) Where in respect of any assessment year the net result of the computation under sections 48 to 55 in respect of capital gains relating to short-term capital assets is a loss and the assessee has income assessable under any head of income other than "Capital gains", the assessee shall, subject to the provisions of this Chapter, be entitled to have such loss set off against the income aforesaid.'.

11. *Section 72.*—In sub-section (*1*), after "Capital gains", insert "relating to capital assets other than short-term capital assets".

12. *Section 74.*—In sub-clause (*i*) of clause (*a*) of sub-section (*1*), for "as relates to short-term capital assets", substitute "relating to short-term capital assets as cannot be or is not wholly set off against income under any head in accordance with the provisions of section 71".

13. For *Chapter VIA,* substitute—

'CHAPTER VIA

DEDUCTIONS TO BE MADE IN COMPUTING TOTAL INCOME

A.—General

Deductions to be made in computing total income.

80A. (*1*) In computing the total income of an assessee, there shall be allowed from his gross total income, in accordance with and subject to the provisions of this Chapter, the deductions specified in sections 80C to 80T.

(2) The aggregate amount of the deductions under this Chapter shall not, in any case, exceed the gross total income of the assessee.

(3) Where, in computing the total income of a firm, association of persons or body of individuals, any deduction is admissible under section 80G or section 80H or section 80J or section 80K or section 80L or section 80S or section 80T, no deduction under the same section shall be made in computing the total income of a partner of the firm or, as the case may be, of a member of the association of persons or body of individuals in relation to the share of such partner in the income of the firm or the share of such member in the income of the association of persons or body of individuals.

Definitions.

80B. In this Chapter--

(1) "displaced person" means a person who, on account of the setting up of the Dominions of India and Pakistan, or on account of civil disturbances or the fear of such disturbances in any area now forming part of East Pakistan, has—

(a) in the case of a person having a place of residence in the district of Noakhali or of Comilla, on or after the 1st day of October, 1946, and

(b) in the case of a person having a place of residence in any other area now forming part of East Pakistan, on or after the 1st day of June, 1947,

left, or been displaced from, his place of residence in such area and who has been subsequently residing in India;

(2) "domestic company" means an Indian company, or any other company which, in respect of its income liable to tax under this Act, has made the prescribed arrangements for the declaration and payment, within India, of the dividends (including dividends on preference shares) payable out of such income;

(3) "earned income" and "unearned income" shall have the meanings respectively assigned to them in the Finance Act of the relevant year;

(4) "foreign company" means a company which is not a domestic company as defined in clause (2);

(5) "gross total income" means the total income computed in accordance with the provisions of this Act,

before making any deduction under this Chapter or under section 280O and without applying the provisions of section 64;

(6) "income", in relation to a handicapped dependant, means the aggregate income of such person from all sources;

(7) "priority industry" means the business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of any one or more of the articles or things specified in the list in the Fifth Schedule or the business of any hotel where such business is carried on by an Indian company and the hotel is for the time being approved in this behalf by the Central Government;

(8) "relative", in relation to an individual, means—

(a) the mother, father, husband or wife of the individual, or

(b) a son, daughter, brother, sister, nephew or niece of the individual, or

(c) a grand-son or grand-daughter of the individual, or

(d) the spouse of any person referred to in sub-clause (b);

(9) "repatriate" means a person of Indian origin who was ordinarily residing in a foreign country and who, on leaving, or being forced to leave, such country, has—

(a) in the case of a person leaving Mozambique, on or after the 25th day of June, 1962, or

(b) in the case of a person leaving Burma, on or after the 1st day of June, 1963, or

(c) in the case of a person leaving Ceylon, on or after the 1st day of November, 1964, or

(d) in the case of a person leaving any other country, on or after such date or dates as may be notified in this behalf by the Central Government in the Official Gazette,

returned to India with the intention of permanently residing therein.

Explanation—A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grandparents, was born in undivided India.

B.—Deductions in respect of certain payments.

Deduction in respect of life insurance premia, contributions to provident fund, etc.

80C. (*1*) In computing the total income of an assessee there shall be deducted, in accordance with and subject to the provisions of this section, an amount equal to sixty per cent. of the first five thousand rupees of the aggregate of the sums specified in sub-section (*2*) and fifty per cent. of the balance, if any, of such aggregate.

(*2*) The sums referred to in sub-section (*1*) shall be the following, namely:—

(*a*) where the assessee is an individual, any sums paid in the previous year by the assessee out of his income chargeable to tax—

(*i*) to effect or to keep in force an insurance on the life of the assessee or on the life of the wife or husband of the assessee; or

(*ii*) to effect or to keep in force a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband of the assessee, notwithstanding that such contract contains a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity; or

(*iii*) as a contribution to any provident fund to which the Provident Funds Act, 1925 applies;

19 of 1925.

(*b*) where the assessee is a Hindu undivided family, any sums paid in the previous year by the assessee out of its income chargeable to tax, to effect or to keep in force an insurance on the life of any male member of the family or of the wife of any such member.

Explanation.—For the purposes of sub-clause (*i*) of clause (*a*) and clause (*b*) of this sub-section, an insurance on the life of any person referred to therein shall include—

(*i*) a policy of insurance on the life of such person securing the payment of a specified sum on the stipulated date of maturity of the policy, if such person is alive on such date, notwithstanding that the policy of insurance provides only for the return of premiums paid (with or without any interest thereon) in the

event of such person dying before the said stipulated date;

(*ii*) a policy of insurance effected by a person for the benefit of a minor (being the assessee, or a male member of a Hindu undivided family where such family is the assessee) with the object of enabling the minor, after he has attained majority, to secure an insurance on his own life by adopting the policy and on his being alive on a date (after such adoption) specified in the policy in this behalf;

(*c*) any sum deducted in the previous year from the salary payable by or on behalf of the Government to any individual being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his wife or children, in so far as the sum so deducted does not exceed one-fifth of the salary;

(*d*) if the assessee is an employee participating in a recognised provident fund, his own contributions to his individual account in the fund in the previous year, in so far as the aggregate of such contributions does not exceed one-fifth of his salary in that previous year or eight thousand rupees, whichever is less.

Explanation.—In clause (*d*) of this sub-section, "salary" shall have the meaning assigned to it in clause (*h*) of rule 2 of Part A of the Fourth Schedule;

(*e*) if the assessee is an employee participating in an approved superannuation fund, any sum paid in the previous year by him by way of contribution towards the superannuation fund;

(*f*) where the assessee is an individual, any sums deposited, in the previous year by the assessee out of his income chargeable to tax, in a ten-year account or a fifteen-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time.

(3) The provisions of clauses (*a*) and (*b*) of sub-section (2) shall apply only to so much of any premium or other payment made on a policy other than a contract for a deferred annuity as is not in excess of ten per cent. of the actual capital sum assured.

Explanation.—In calculating any such capital sum, no account shall be taken—

(*i*) of the value of any premiums agreed to be returned, or

(*ii*) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

(4) The aggregate of the sums referred to in sub-section (3), which qualifies for the purposes of computing the deduction under sub-section (*1*), shall not exceed—

(*i*) in the case of an individual being an author, playwright, artist, musician or actor, such percentage of his gross total income, or such amount, as may be prescribed:

Provided that such individual has effected an insurance referred to in sub-clause (*i*) of clause (*a*) of sub-section (*2*) prior to the 1st day of March, 1964 and has paid any sum in the previous year to keep in force such insurance;

(*ii*) in the case of any other individual [including an author, playwright, artist, musician or actor, to whom the provisions of clause (*i*) do not apply], thirty per cent. of his gross total income, or fifteen thousand rupees, whichever is less;

(*iii*) in the case of a Hindu undivided family, thirty per cent. of its gross total income, or thirty thousand rupees, whichever is less.

(5) If the gross total income of the assessee includes earned income chargeable under any head, the deduction under sub-section (*1*) shall, to the extent possible, be made in computing such earned income and, as to the balance, if any, in computing any other income; and if there is no earned income, the deduction shall be made in computing any other income under any head.

Deduction in respect of medical treatment, etc., of handicapped dependants.

80D. (*1*) Where an assessee who is resident in India, being an individual or Hindu undivided family, who has, during the previous year, incurred out of his or its income chargeable to income-tax, any expenditure for the medical treatment (including nursing) of a person who—

(*a*) is a relative of the individual, or, as the case may be, is a member of the Hindu undivided family and is not dependent on any person other than such individual or Hindu undivided family for his support or maintenance, and

(*b*) is suffering from a physical or mental disability which is certified by a registered medical practitioner to have the effect of reducing considerably such person's capacity for normal work or engaging in a gainful employment (hereinafter in this section referred to as handicapped dependant),

the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount specified in sub-section (*2*) in the computation of his total income in respect of the previous year.

(*2*) The deduction under sub-section (*1*) shall be—

(*i*) in a case where the handicapped dependant has, for a period of one hundred and eighty-two days or more during the previous year, been admitted in a hospital or a nursing home or a medical institution or in such other institution as may be notified by the Central Government in the Official Gazette to be an institution for the care of handicapped persons, and fees and charges for his medical treatment (including nursing) are payable to such hospital or nursing home or medical or other institution, as the case may be, a sum of two thousand four hundred rupees, or

(*ii*) in any other case, a sum of six hundred rupees,

as reduced, in either case, by an amount equal to the income, if any, of the handicapped dependant in respect of the previous year:

Provided that where the assessee has, during the previous year, incurred expenditure on more than one handicapped dependant, the deduction under sub-section (*1*) shall be allowed only with reference to one such handicapped dependant as may be chosen by the assessee.

(*3*) If the gross total income of the assessee includes earned income chargeable under any head, the deduction under sub-section (*1*) shall, to the extent possible, be made in computing such earned income and, as to the balance, if any, in computing any other income; and if there is no earned income, the deduction shall be made in computing any other income under any head.

Deduction in respect of payment for securing retirement annuities.

80E. (*1*) Where, in the case of an assessee, being an individual who is a citizen of India and is resident in India, his share in the income of a registered firm which renders professional service as chartered accountant, solicitor, lawyer, architect, or such other professional service as may be notified in

this behalf by the Central Government in the Official Gazette, is chargeable to tax and he has paid out of his income chargeable to tax a premium (by whatever name called) in any previous year under an annuity contract for the time being approved by the Commissioner as having for its main object the provision for the individual of a life annuity in old age (hereinafter in this section referred to as qualifying premium), then the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount of the qualifying premium in the computation of his total income in respect of the previous year:

Provided that the amount which may be so deducted shall not exceed the sum of five thousand rupees, or one-tenth of his gross total income, whichever is less:

Provided further that any annuity payable to the individual shall be deemed to be his earned income to the extent to which it is attributable to the amount in respect of which deduction has been allowed under this section and chargeable to tax accordingly.

(*2*) Subject to sub-section (*3*) and any rules made by the Board in this behalf, the Commissioner shall not approve a contract unless he is satisfied that it does not—

(*a*) provide for the payment during the life of the individual of any sums except sums payable by way of annuity to the individual; or

(*b*) provide for the annuity payable to the individual to commence before he attains the age of fifty-eight or after he attains the age of sixty-eight; or

(*c*) provide for the payment of any other sums except sums payable by way of annuity to the individual's widow or widower and any sums which, in the event of no annuity becoming payable either to the individual or to a widow or widower of the individual, are payable to the individual's legal representative by way of return of premiums, by way of reasonable interest on premiums and by way of bonus out of profits; or

(*d*) provide for the payment of annuity, if any, payable to a widow or widower of the individual to be of a greater annual amount than that paid or payable to the individual; or

(*e*) provide for the payment of any annuity otherwise than for the life of the annuitant,

and that it does include a provision that no annuity payable under it shall be capable in whole or in part of surrender, commutation or assignment.

(3) The Commissioner may, if he thinks fit, and subject to any conditions the Board may, by rules, prescribe and subject to any conditions he thinks proper to impose, approve a contract, notwithstanding that the contract provides for one or more of the following matters, that is to say,—

(a) for the payment after the individual's death of an annuity to a dependant other than the widow or widower of the individual;

(b) for the payment to the individual of an annuity commencing before he attains the age of fifty-eight, if the annuity is payable on his becoming incapable through infirmity of mind or body of being actively engaged in his profession or any profession of a similar nature for which he is trained or fitted;

(c) for the annuity payable to any person to continue for a specified term (not exceeding ten years), notwithstanding his death within that term;

(d) in the case of an annuity which is to continue for such specified term, for the annuity to be assignable by will.

(4) The foregoing provisions of this section shall apply in relation to a contribution (by whatever name called) to a fund approved by the Commissioner as they apply in relation to any premium under an annuity contract so approved, provided the fund satisfies also the conditions set out below and any other conditions which the Board may, by rules, prescribe, namely:—

(a) the fund shall be a fund established in India under an irrevocable trust for the benefit of individuals engaged in any profession referred to in sub-section (1);

(b) the fund shall have for its sole purpose the provision of annuities for individuals engaged in such profession on attaining a specified age or on their becoming incapacitated prior to attaining such age, or for the widow, children or dependants of such persons on their death;

(c) all annuities, pensions and other benefits granted from the fund shall be payable only in India.

(*5*) The Commissioner may, at any time, after giving a reasonable opportunity of showing cause against the proposed withdrawal to the persons by and to whom premiums are payable under any contract for the time being approved under this section, or to the trustees of any fund so approved, withdraw the approval.

(*6*) Notwithstanding anything contained in sub-sections (*1*) and (*4*), no deduction under this section shall be allowed in the case of any individual—

(*i*) whose gross total income includes unearned income of more than ten thousand rupees; or

(*ii*) who is entitled to any pension or is participating in any pension or superannuation scheme.

(*7*) The deduction under this section shall be made in computing the earned income of the assessee included in his gross total income, so, however, that the amount of deduction shall not in any case exceed the amount of the income computed under the head "Profits and gains of business or profession", included in the gross total income.

(*8*) Any annuity payable under an approved contract referred to in sub-section (*1*) or from any fund referred to in sub-section (*4*), to a person other than the individual who pays the premium or makes the contribution and any interest on premiums or bonus out of profits payable to such person, shall be deemed to be his unearned income to the extent it is attributable to the amount of deduction allowed under sub-section (*1*) and chargeable to tax accordingly.

(*9*) Where any payment by way of annuity or otherwise is made by a person to whom premiums or contributions are payable under sub-section (*1*) or sub-section (*4*), such person shall, subject to any rules made by the Board in this behalf, deduct from the total amount so paid during any financial year, tax at such rate or rates in force in that year as would be applicable to such amount, if it were the total income and shall pay the amount so deducted to the credit of the Central Government within the prescribed time and in such manner as the Board may direct and the provisions of section 201 shall, so far as may be, apply to such person if he does not deduct, or after deducting fails to pay, such tax.

(*10*) Where a deduction under this section is claimed and allowed for any assessment year in respect of any payment,

relief shall not be given in respect of it under any other provision of this Act for the same or a later assessment year nor (in the case of a payment under an annuity contract) in respect of any other premium or consideration for an annuity under the same contract.

(*11*) (*a*) The Board may, by notification in the Official Gazette, make rules for carrying out the purposes of this section.

(*b*) In particular and without prejudice to the generality of the foregoing power, such rules may—

(*i*) prescribe the statements and other information to be submitted along with an application for approval;

(*ii*) prescribe the returns, statements, particulars or information which the Income-tax Officer may require from a person by and to whom premiums or contributions are payable under this section;

(*iii*) provide for the assessment by way of penalty of any consideration received by an individual for an assignment of, or creation of a charge upon, any annuity or other sum receivable by him under any contract or from any fund approved for the time being under this section; and

(*iv*) provide for securing such further control over the approval granted under this section and administration of funds approved under this section as it may deem requisite.

Deduction in respect of educational expenses in certain cases.

80F. (*1*) Where an individual, being a resident, who is not a citizen of India, has expended any sum in the previous year out of his income chargeable to tax for the full time education of his child wholly or mainly dependent on him and who is not more than twenty-one years of age, at any University, college, school or other educational institution situate in a country outside India, he shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount specified in sub-section (*2*) in the computation of his total income.

(*2*) The amount referred to in sub-section (*1*) shall be—

(*i*) in the case of an individual who has one such child, one thousand five hundred rupees; and

(*ii*) in the case of an individual who has more than one such child, three thousand rupees.

(3) If the gross total income of the assessee includes earned income chargeable under any head, the deduction under sub-section (1) shall, to the extent possible, be made in computing such earned income and, as to the balance, if any, in computing any other income; and if there is no earned income, the deduction shall be made in computing any other income under any head.

Deduction in respect of donations to certain funds, charitable institutions, etc.

80G. (1) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, an amount equal to fifty per cent. of the aggregate of the sums specified in sub-section (2).

(2) The sums referred to in sub-section (1) shall be the following, namely:—

(a) any sums paid by the assessee in the previous year as donations to—

(i) the National Defence Fund set up by the Central Government; or

(ii) the Jawaharlal Nehru Memorial Fund referred to in the Deed of Declaration of Trust adopted by the National Committee at its meeting held on the 17th day of August, 1964; or

(iii) the Prime Minister's Drought Relief Fund; or

(iv) any other fund or any institution to which this section applies; or

(v) the Government or any local authority, to be utilised for any charitable purpose;

(b) any sums paid by the assessee in the previous year as donations for the renovation or repair of any such temple, mosque, gurdwara, church or other place as is notified by the Central Government in the Official Gazette to be of historic, archaeological or artistic importance or to be a place of public worship of renown throughout any State or States.

(3) No deduction shall be allowed under sub-section (1) if the aggregate of the sums referred to in sub-section (2) is less than two hundred and fifty rupees.

(4) The deduction under sub-section (1) shall not be allowed in respect of such part of the aggregate of the sums referred to in sub-clauses (iv) and (v) of clause (a) and in clause (b) of sub-section (2) as exceeds ten per cent. of the

gross total income (as reduced by any portion thereof on which income-tax is not payable under any provision of this Act and by any amount in respect of which the assessee is entitled to a deduction under any other provision of this Chapter), or two hundred thousand rupees, whichever is less:

Provided that where such aggregate includes any sums referred to in clause (*b*) of sub-section (*2*) and such aggregate exceeds the limit of two hundred thousand rupees specified in this sub-section, then such limit shall be raised to cover that portion of the donation which is equal to the difference between such aggregate and the said limit, so, however, that the limit so raised shall not exceed ten per cent. of the assessee's gross total income as reduced as aforesaid, or five hundred thousand rupees, whichever is less.

(*5*) This section applies to donations to any institution or fund referred to in sub-clause (*iv*) of clause (*a*) of sub-section (*2*), only if it is established in India for a charitable purpose and if it fulfils the following conditions, namely:—

(*i*) where the institution or fund derives any income, such income would not be liable to inclusion in its total income under the provisions of sections 11 and 12 or clause (*22*) of section 10;

(*ii*) the instrument under which the institution or fund is constituted does not, or the rules governing the institution or fund do not, contain any provision for the transfer or application at any time of the whole or any part of the income or assets of the institution or fund for any purpose other than a charitable purpose;

(*iii*) the institution or fund is not expressed to be for the benefit of any particular religious community or caste;

(*iv*) the institution or fund maintains regular accounts of its receipts and expenditure; and

(*v*) the institution or fund is either constituted as a public charitable trust or is registered under the Societies Registration Act, 1860, or under any law corresponding to that Act in force in any part of India or under section 25 of the Companies Act, 1956, or is a University established by law, or is any other educational institution recognised by the Government or by a University established by law, or affiliated to any University established by law or is an institution financed wholly or in part by the Government or a local authority. 21 of 1860. 1 of 1956.

Explanation 1.—An institution or fund established for the benefit of Scheduled Castes, backward classes, Scheduled Tribes or of women and children shall not be deemed to be an institution or fund expressed to be for the benefit of a religious community or caste within the meaning of clause (*iii*) of sub-section (5).

Explanation 2.—For the removal of doubts, it is hereby declared that a deduction to which the assessee is entitled in respect of any donation made to an institution or fund to which sub-section (5) applies shall not be affected merely by reason of the fact that subsequent to the donation any part of the income of the institution or fund has become chargeable to tax due to non-compliance with any of the provisions of section 11.

Explanation 3.—In this section, "charitable purpose" does not include any purpose the whole or substantially the whole of which is of a religious nature

(6) If the gross total income of the assessee includes earned income chargeable under any head, the deduction under sub-section (1) shall, to the extent possible, be made in computing such earned income and, as to the balance, if any, in computing any other income; and if there is no earned income, the deduction shall be made in computing any other income under any head.

C.—Deductions in respect of certain incomes

Deduction in case of new industrial undertakings employing displaced persons, etc.

80H. (1) Where the gross total income of any assessee includes any profits and gains derived from any industrial undertaking to which this section applies, there shall be allowed, in accordance with and subject to the provisions of this section, a deduction from such profits and gains of an amount equal to fifty per cent. thereof in computing the total income of the assessee, so, however, that the amount of the deduction under this section shall not, in any case, exceed one hundred thousand rupees.

(2) This section applies to any industrial undertaking which fulfils all the following conditions, namely:—

(*i*) it is not formed by the splitting up, or reconstruction, of a business already in existence;

(*ii*) it is not formed by the transfer to a new business of a building, machinery or plant previously used for any purpose;

(*iii*) it has begun or begins to manufacture or produce articles in any part of India at any time within a period of three years next following the 1st day of April, 1967;

(*iv*) it employs, on every working day throughout the previous year, fifty or more workers in a manufacturing process (whether carried on with or without the aid of power); and

(*v*) it employs displaced persons or repatriates or members of the families of displaced persons or repatriates (all such employees being, hereinafter, referred to as rehabilitated employees) and the daily average number of rehabilitated employees, as certified by the prescribed authority, is not less than sixty per cent. of the daily average number of all the persons employed in the undertaking, throughout the previous year:

Provided that, in computing the daily average number of rehabilitated employees for the purposes of this clause, any such employee who had, at the time of his first employment in the undertaking, completed the age of 40 years shall not be taken into account.

Explanation 1.—"Member of the family", in relation to any person who is a displaced person or repatriate, means any member of the family of such person if such member was, before his employment in the undertaking, dependent on such person.

Explanation 2.—"Daily average number", in relation to rehabilitated employees or, as the case may be, all the persons employed in the undertaking, shall be taken to be the number arrived at by dividing the aggregate of the number of rehabilitated employees or, as the case may be, the total number of persons employed in the undertaking on each working day of a month by the total number of working days in that month.

(3) The provisions of this section shall, in relation to an industrial undertaking, apply to the assessment for the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles, and the nine assessment years immediately succeeding.

Deduction in respect of profits and gains from priority industries in the case of certain companies

80I. (*1*) In the case of a company to which this section applies, where the gross total income includes any profits and gains attributable to any priority industry, there shall be allowed, in accordance with and subject to the provisions of this section, a deduction from such profits and gains of an amount equal to eight per cent. thereof, in computing the total income of the company

(*2*) This section applies to a domestic company, save in a case where such company is a company which is referred to in section 108 and has a gross total income of fifty thousand rupees or less.

(*3*) Where a company to which this section applies is entitled also to the deduction under section 80H, the deduction under sub-section (*1*) of this section shall be allowed with reference to the amount of the profits and gains attributable to the priority industry or industries as reduced by the deduction under section 80H in relation to such profits and gains.

Deduction in respect of profits and gains from newly established industrial undertakings or ships or hotel business in certain cases.

80J. (*1*) Where the gross total income of an assessee includes any profits and gains derived from an industrial undertaking or a ship or the business of a hotel, to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of—

(*i*) an amount equal to such profits and gains as reduced by the aggregate of the deductions, if any, admissible to the assessee under section 80H and section 80I, or

(*ii*) the amount specified in sub-section (*2*),

whichever is less, so, however, that where the amount referred to in clause (*ii*) is equal to the amount referred to in clause (*i*), the amount to be deducted under this section shall be the amount referred to in clause (*ii*).

(*2*) The amount referred to in clause (*ii*) of sub-section (*1*) shall be—

(*A*) in respect of the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or to operate the cold storage plant or plants or the ship is first brought into use or the business of the hotel starts functioning (such assessment year being hereafter, in this section, referred to as the initial assessment year), the amount calculated at the rate of six per cent. per annum on the capital employed in the

undertaking or ship or business of the hotel, as the case may be, computed in the prescribed manner:

(*B*) in respect of each of the four assessment years immediately succeeding the initial assessment year, the aggregate of the following amounts, namely:—

(*i*) the amount calculated at the rate of six per cent. per annum on the capital employed in the undertaking or ship or business of the hotel, as the case may be, computed in the prescribed manner: and

(*ii*) the amount of the deficiency, if any, in relation to the assessment year, referred to and computed in accordance with the *Explanation* to this sub-section;

(*C*) in respect of each of the assessment years immediately succeeding the last one of the assessment years referred to in clause (*B*), not being an assessment year subsequent to the seventh assessment year as reckoned from the end of the initial assessment year, the amount of the deficiency, if any, in relation to such assessment year, referred to and computed in accordance with the *Explanation* to this sub-section.

Explanation.—The amount of the deficiency in relation to an assessment year (not being the initial assessment year) shall be taken to be the amount, if any, by which the sum specified in clause (*a*) falls short of the sum specified in clause (*b*), such sums being—

(*a*) the aggregate of the amounts of the profits and gains derived from the industrial undertaking or ship or business of the hotel, as the case may be, included in the total income (as computed without applying the provisions of section 64 and before making any deduction under Chapter VIA or section 280O) of the previous years relevant to each of the assessment years (not being an assessment year prior to the initial assessment year or an assessment year prior to the assessment year commencing on the 1st day of April, 1967) immediately preceding the assessment year aforesaid; and

(*b*) the aggregate of the amounts calculated at the rate of six per cent. per annum on the capital employed in the industrial undertaking or ship or business of the hotel, as the case may be, computed in the prescribed manner in respect of the previous years relevant to

each of the assessment years (not being an assessment year prior to the initial assessment year or an assessment year prior to the assessment year commencing on the 1st day of April, 1967 or an assessment year subsequent to the fourth assessment year as reckoned from the end of the initial assessment year) immediately preceding the assessment year aforesaid.

(3) In the case of an assessee being a co-operative society,—

(*i*) the provisions of sub-section (2) shall have effect as if in clause (*B*) thereof, for the words "four assessment years", the words "six assessment years" had been substituted; and

(*ii*) the provisions of the *Explanation* to sub-section (2) shall have effect as if in clause (*b*) for the words "fourth assessment year", the words "sixth assessment year" had been substituted.

(4) This section applies to any industrial undertaking which fulfils all the following conditions, namely:—

(*i*) it is not formed by the splitting up, or the reconstruction, of a business already in existence;

(*ii*) it is not formed by the transfer to a new business of a building, machinery or plant previously used for any purpose;

(*iii*) it manufactures or produces articles, or operates one or more cold storage plant or plants, in any part of India, and has begun or begins to manufacture or produce articles or to operate such plant or plants, at any time within the period of twenty-three years next following the 1st day of April, 1948, or such further period as the Central Government may, by notification in the Official Gazette, specify with reference to any particular industrial undertaking;

(*iv*) in a case where the industrial undertaking manufactures or produces articles, the undertaking employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power:

Provided that the condition in clause (*i*) shall not apply in respect of any industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by

the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section.

(5) This section applies to any ship, where all the following conditions are fulfilled, namely:—

(*i*) it is owned by an Indian company and is wholly used for the purposes of the business carried on by it;

(*ii*) it was not, previous to the date of its acquisition by the Indian company, owned and used in Indian territorial waters by a person resident in India; and

(*iii*) it is brought into use by the Indian company at any time within a period of twenty-three years next following the 1st day of April, 1948.

(6) This section applies to the business of any hotel, where all the following conditions are fulfilled, namely:—

(*a*) the business of the hotel starts functioning on or after the 1st day of April, 1961, and is not formed by the splitting up, or the reconstruction, of a business already in existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plant previously used for any purpose;

(*b*) the business of the hotel is owned and carried on by a company registered in India with a paid-up capital of not less than five hundred thousand rupees;

(*c*) the hotel has such number and types of guest rooms and provides such amenities as may be prescribed, having regard to the population and the tourist importance of the place in which the hotel is located; and

(*d*) the hotel is for the time being approved for the purposes of this sub-section by the Central Government.

Explanation.—Where—

(*a*) in the case of an industrial undertaking, any building, machinery or plant, or any part thereof previously used for any purpose, or

(*b*) in the case of the business of a hotel, any building, or any part thereof, previously used as a hotel, or any machinery or plant, or any part thereof, previously used for any purpose.

is, in either case, transferred to a new business, and the total value of the building, machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the building, machinery or plant used in the business, then, for the purposes of clause (*ii*) of sub-section (*4*) and clause (*a*) of sub-section (*6*), the condition specified therein shall be deemed to have been complied with and the total value of the building, machinery or plant or part so transferred shall not be taken into account in computing the capital employed in the industrial undertaking or the business of the hotel.

(*7*) The Central Government may, after making such inquiry as it may think fit, direct, by notification in the Official Gazette, that the exemption conferred by this section shall not apply to any class of industrial undertakings with effect from such date as it may specify in the notification.

Deduction in respect of dividends attributable to profits and gains from new industrial undertakings or ships or hotel business

80K. Where the gross total income of an assessee, being the holder of any share or shares in a company, includes any income by way of dividends paid or deemed to have been paid to him by the company in respect of such share or shares, there shall, subject to any rules that may be made by the Board in this behalf, be allowed, in computing his total income, a deduction from such income by way of dividends of an amount equal to such part thereof as is attributable to the profits and gains derived by the company from an industrial undertaking or ship or the business of a hotel, on which no tax is payable by the company under this Act for any assessment year commencing prior to the 1st day of April, 1968, or in respect of which the company is entitled to a deduction under section 80J.

Deduction in respect of dividends in certain cases.

80L. (*1*) Where, in the case of any assessee, the amount of his income by way of dividends included in his gross total income does not exceed five hundred rupees, there shall, in accordance with and subject to the provisions of this section, be deducted, in computing the total income of the assessee, the whole of the income by way of dividends from an Indian company or Indian companies included in the gross total income.

(*2*) In a case where the assessee is entitled also to the deduction under section 80K, in relation to the whole or any part of the income by way of dividends referred to in sub-section (*1*), the deduction under sub-section (*1*) shall be allowed in respect of such income as reduced by the deduction under section 80K.

Deduction in respect of certain inter-corporate dividends.

80M. (*1*) Where the gross total income of an assessee being a company includes any income by way of dividends received by it from a domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such income by way of dividends of an amount equal to—

(*a*)	where the assessee is a foreign company—	
	(*i*) in respect of such income by way of dividends received by it from an Indian company which is not such a company as is referred to in section 108 and which is mainly engaged in a priority industry . .	80 per cent. of such income;
	(*ii*) in respect of such income by way of dividends other than the dividends referred to in sub-clause (*i*) . . .	60 per cent. of such income;
(*b*)	where the assessee is a domestic company—	
	in respect of any such income by way of dividends . .	60 per cent. of such income.

Explanation.—For the purposes of this section, a company shall be deemed to be mainly engaged in a priority industry if the income attributable to any such industry or industries included in its gross total income for the previous year is not less than fifty-one per cent. of such gross total income.

(*2*) Where a company to which this section applies is entitled also to the deduction under section 80K or section 80L, the deduction under sub-section (*1*) of this section shall be allowed in respect of income by way of dividends referred to therein as reduced by any such income in relation to which the company is entitled to a deduction under section 80K or section 80L.

Deduction in respect of dividends received from certain foreign companies

80N. Where shares in a foreign company have been allotted to an assessee being an Indian company in consideration of any patent, invention, model, design, secret formula or process, or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill

made available or provided or agreed to be made available or provided to the foreign company by the assessee, or in consideration of technical services rendered or agreed to be rendered to the foreign company by the assessee, under an agreement approved by the Central Government in this behalf before the 1st day of October of the relevant assessment year, and any income by way of dividend on such shares is included in the gross total income of the assessee, there shall be allowed a deduction from such income of an amount equal to sixty per cent. thereof, in computing the total income of the assessee.

Deduction in respect of royalties, etc., received from certain foreign companies

80O. Where the gross total income of an assessee being an Indian company includes any income by way of royalty, commission, fees or any similar payment received by it from a foreign company in consideration for the use of any patent, invention, model, design, secret formula or process, or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided or agreed to be made available or provided to the foreign company by the assessee, or in consideration of technical services rendered or agreed to be rendered to the foreign company by the assessee, under an agreement approved by the Central Government in this behalf before the 1st day of October of the relevant assessment year, there shall be allowed a deduction from such income of an amount equal to sixty per cent. thereof, in computing the total income of the assessee.

Deduction in respect of income of co-operative societies

80P. (*1*) Where, in the case of an assessee being a co-operative society, the gross total income includes any income referred to in sub-section (*2*), there shall be deducted, in accordance with and subject to the provisions of this section, the sums specified in sub-section (*2*), in computing the total income of the assessee.

(2) The sums referred to in sub-section (1) shall be the following, namely:—

(*a*) in the case of a co-operative society engaged in—

(*i*) carrying on the business of banking or providing credit facilities to its members, or

(*ii*) a cottage industry, or

(*iii*) the marketing of the agricultural produce of its members, or

(*iv*) the purchase of agricultural implements, seeds, live-stock or other articles intended for agriculture for the purpose of supplying them to its members, or

(*v*) the processing, without the aid of power, of the agricultural produce of its members,

the whole of the amount of profits and gains of business attributable to any one or more of such activities;

(*b*) in the case of a co-operative society, being a primary society engaged in supplying milk raised by its members to a federal milk co-operative society, the whole of the amount of profits and gains of such business;

(*c*) in the case of a co-operative society engaged in activities other than those specified in clause (*a*) or clause (*b*) [either independently of, or in addition to, all or any of the activities so specified], so much of its profits and gains attributable to such activities as does not exceed fifteen thousand rupees;

(*d*) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;

(*e*) in respect of any income derived by the co-operative society from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities, the whole of such income;

(*f*) in the case of a co-operative society, not being a housing society or an urban consumers' society or a society carrying on transport business or a society engaged in the performance of any manufacturing operations with the aid of power, where the gross total income does not exceed twenty thousand rupees, the amount of any income by way of interest on securities chargeable under section 18 or any income from house property chargeable under section 22.

Explanation.—For the purposes of this section, an "urban consumers' co-operative society" means a society for the benefit of the consumers within the limits of a municipal corporation, municipality, municipal committee, notified area committee, town area or cantonment.

(*3*) In a case where the assessee is entitled also to the deduction under section 80H or section 80J, the deduction under sub-section (*1*) of this section, in relation to the sums

specified in clause (*a*) or clause (*b*) or clause (*c*) of sub-section (*2*), shall be allowed with reference to the income, if any, as referred to in those clauses included in the gross total income as reduced by the deductions under section 80H and section 80J.

(*4*) Nothing contained in this section shall apply to a co-operative society carrying on insurance business in respect of the profits and gains of that business computed in accordance with section 44.

Deduction in respect of dividends from co-operative society

80Q. Where the gross total income of an assessee who is a member of a co-operative society includes any income by way of dividends received by him from the society, the whole of such income shall be allowed as a deduction in computing his total income.

Deduction in respect of remuneration from certain foreign sources in the case of professors teachers, etc.

80R Where the gross total income of an individual who is a citizen of India includes any remuneration received by him outside India from any University or other educational institution established outside India or such other association or body established outside India as may be notified in this behalf by the Central Government in the Official Gazette, for any service rendered by him during his stay outside India in his capacity as a professor, teacher or research worker in such University, institution, association or body, there shall be allowed a deduction from such remuneration of an amount equal to fifty per cent. thereof, in computing the total income of the individual:

Provided that where the individual renders continuous service outside India in such University, institution, association or body for a period exceeding thirty-six months, no deduction under this section shall be allowed in respect of the remuneration for such service relating to any period after the expiry of the thirty-six months aforesaid.

Deduction in respect of compensation for termination of managing agency, etc., in the case of assessees other than companies.

80S. Where the gross total income of an assessee not being a company includes any income by way of compensation or other payment which is chargeable as the profits and gains of business or profession in accordance with the provisions of clause (*ii*) of section 28, there shall be allowed, in computing the total income of the assessee, a deduction from such income of an amount equal to twenty-five per cent. thereof, so, however, that the amount of the deduction under this section shall not, in any case, exceed one hundred thousand rupees.

Deduction in respect of long-term capital gains in the case of assessees other than companies.

80T. Where the gross total income of an assessee not being a company includes any income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets (such income being, hereinafter, referred to as long-term capital gains), there shall be allowed, in computing the total income of the assessee, a deduction from such income of an amount equal to,

(*a*) in a case where the gross total income does not exceed ten thousand rupees or where the long-term capital gains do not exceed five thousand rupees, the whole of such long-term capital gains;

(*b*) in any other case, five thousand rupees as increased by a sum equal to—

(*i*) forty per cent. of the amount by which the long-term capital gains relating to capital assets, being buildings or lands, or any rights in buildings or lands, exceed five thousand rupees;

(*ii*) sixty per cent. of the amount by which the long-term capital gains relating to any other capital assets exceed five thousand rupees:

Provided that in a case where the long-term capital gains relate to buildings or lands, or any rights in buildings or lands, as well as to other assets, the sum referred to in sub-clause (*ii*) of clause (*b*) shall be taken to be—

(*A*) where the amount of the long-term capital gains relating to the capital assets mentioned in sub-clause (*i*) is less than five thousand rupees, sixty per cent. of the amount by which the long-term capital gains relating to any other capital assets exceed the difference between five thousand rupees and the amount of the long-term capital gains relating to the capital assets mentioned in sub-clause (*i*); and

(*B*) where the amount of the long-term capital gains relating to the capital assets mentioned in sub-clause (*i*) is equal to or more than five thousand rupees, sixty per cent. of the long-term capital gains relating to any other capital assets.'.

14. Omit sections 81, 82, 83, 84, 85, 85A, 85B and 85C.

15. *Chapter VIII.*—

(*a*) For "REBATES AND RELIEFS", substitute "RELIEF IN RESPECT OF INCOME-TAX";

(*b*) Omit "*A.—Rebate of income-tax*", sections 87, 87A and 88, and "*B.—Relief for income-tax*".

16. *Section* 104.—In the *Explanation* to sub-section (4), for "included in its total income for the relevant previous year", substitute "included in its gross total income for the relevant previous year".

17. *Section 109.*—

(*a*) For "For the purposes of sections 104, 105 and 107A", substitute "For the purposes of sections 104, 105 and 107A and this section";

(*b*) in clause (*i*),—

(*i*) for "total income of a company", substitute "gross total income of a company";

(*ii*) for sub-clause (*c*), substitute—

"(*c*) any sum with reference to which a deduction is allowable to the company under the provisions of section 80G;";

(*iii*) for sub-clause (*d*), substitute—

'(*d*) losses under the head "Capital gains" relating to capital assets other than short-term capital assets;';

(*iv*) in sub-clause (*h*), for "included in the total income", substitute "included in the gross total income";

(*c*) in clause (*ii*), for "total income", substitute "gross total income";

(*d*) in clause (*iia*), for "total income", in both places, substitute "gross total income";

(*e*) in clause (*iii*), for "total income", in all places, substitute "gross total income";

(*f*) after clause (*iii*), insert—

'(*iv*) "gross total income" means the total income computed in accordance with the provisions of this Act before making any deduction under Chapter VIA.'.

18. *Chapter XII.*—

(*a*) Omit section 112;

(*b*) in section 112A,—

(*i*) in clause (*b*), omit "*plus*";

(*ii*) omit clause (*c*);

(*iii*) in *Explanation* 2, for "sections 112, 114 and 193", substitute "section 193";

(*c*) omit section 114.

19. *Section 197.*—For sub-section (*3*), substitute—

"(*3*) Where the principal officer of a company considers that, by reason of the provisions of section 80K, the whole or any portion of the dividend referred to in section 194 will be deductible in computing the total income of the recipient, he may, before paying the dividend to the shareholder or issuing any cheque or warrant in respect thereof, make an application to the Income-tax Officer to determine the appropriate proportion of the dividend to be deducted under the provisions of section 80K; and on such determination by the Income-tax Officer no tax shall be deducted on such proportionate amount.".

20. *Section 236.*—In *Explanation* 2,—

(*a*) for "the total income assessed for that year", substitute "the total income (as computed before making any deduction under Chapter VIA) assessed for that year";

(*b*) in clause (*i*), for "the said total income", substitute "its total income";

(*c*) for clause (*iii*), substitute—

"(*iii*) any sum with reference to which a deduction is allowable to the company under the provisions of section 80G; and";

(*d*) in clause (*a*), for "total income", substitute "total income (as computed before making any deduction under Chapter VIA)".

21. *Section 280B.*—In clause (*1*),—

(*a*) in sub-clause (*b*)(*v*), omit "and";

(*b*) after sub-clause (*b*) (*vi*), insert—

"(*vii*) any income arising outside India in a country the laws of which prohibit or restrict the remittance of money to India;".

22. *Section 280X.*—In the proviso to sub-section (*1*),—

(*i*) in clause (*a*), for "seventy years", substitute "sixty years";

(*ii*) in clause (*b*), for "rupees", substitute "rupees; or";

(*iii*) after clause (*b*), insert—

"(c) the annuity deposit required to be made does not exceed one hundred rupees; or

(*d*) the deficiency does not exceed an amount equal to ten per cent. of the annuity deposit required to be made or one hundred rupees, whichever is higher.".

23. *Section 295.*—In clause (*e*) of sub-section (*2*), for "under clause (*i*) of sub-section (*3*) of section 87 or clause (*i*) of sub-section (*4*) of section 80A, as the case may be", substitute "under clause (*i*) of sub-section (*4*) of section 80C".

24. *Fourth Schedule.*—In rule 7 of Part A, for "section 80A or as the case may be, to a deduction from the amount of income-tax with which he is chargeable on his total income of an amount of income-tax determined in accordance with section 87", substitute "section 80C".

25. *Fifth Schedule.*—For "[*See* sections 33(*1*) (*iii*) (*c*), 80E and 85A]", substitute "[*See* sections 33(*1*)(b)(*B*)(*i*) and 80B(7)]".

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to give effect to the financial proposals of the Central Government for the financial year 1967-68 and to provide for certain connected matters. Opportunity has been taken to simplify and rationalise the provisions of the Income-tax Act and other enactments with respect to direct taxes. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;
The 25th May, 1967.

MORARJI DESAI.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. F.4(2)-B/67, dated the 25th May, 1967 from Shri Morarji Desai, Deputy Prime Minister and Minister of Finance to the Secretary, Lok Sabha.]

The President having been informed of the subject matter of the proposed Bill, recommends under article 117(1) and (3) read with article 274(1) of the Constitution of India, the introduction of the Finance (No. 2) Bill, 1967 to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 25th May, 1967.

Notes on clauses

Clause 2 prescribes the rates at which income-tax (including surcharges, where applicable) is to be charged on income liable to tax for the current assessment year 1967-68. It also prescribes the rates at which income-tax is to be deducted at source during the current financial year on incomes liable to such deduction under the Income-tax Act, and the rates at which 'advance tax' is to be computed in relation to incomes on which such tax is to be paid during the current financial year.

Rates of income-tax for the assessment year 1967-68.—In respect of incomes of all categories of assessees (corporate as well as non-corporate) liable to tax for the current assessment year 1967-68, the rates of income-tax in clause 2 read with Part I of the First Schedule to the Bill are the same as provided in the Finance Act, 1966, subject to certain modifications. The main modification in the rates of income-tax in the Finance Act, 1966, in relation to the current assessment year 1967-68, is in respect of the rebates of income-tax granted with reference to exports. In consequence of the devaluation of the rupee with effect from the 6th June, 1966, the Bill provides that these rebates would be available only with reference to exports or sales to exporters made before the date of the devaluation, and not in relation to exports or sales to exporters made during the post-devaluation period.

The Finance Acts of earlier years, up to and inclusive of the Finance Act of 1966, provided for the levy of tax on 'Salary' incomes at the rates prescribed by the Finance Act of the preceding assessment year. Such provision was made to secure that in cases where the assessee had only salary income and had paid income-tax thereon by deduction at source during the relevant financial year at the current rates of income-tax, no further demand of tax or a refund of tax might be necessitated on applying the higher or lower rates of tax prescribed by the Finance Act of the year in which such income fell due for assessment. The Bill provides for the levy of tax on the salary as well as non-salary income liable to tax for the assessment year 1967-68, at the same rates of tax.

Part II of the First Schedule prescribes the rates for deduction of tax at source during the financial year 1967-68 from interest on securities, other interest, dividends, fees or other remuneration for

professional services, brokerage and commission, etc. In the case of brokerage and commission payments to residents, the tax is to be deducted at source at the rate of 15 per cent. In respect of dividends paid to a foreign company by a closely-held Indian company mainly engaged in a priority industry, the rate of tax to be deducted at source is 14 per cent. of the dividend, and in respect of dividends paid to a foreign company by any other domestic company, the rate is 28 per cent. These rates represent the effective rates of tax, under the rate schedule in Part III of the First Schedule, on such inter-corporate dividends after allowance of the deduction under the new section 80M in Chapter VIA of the Income-tax Act, as sought to be replaced with effect from 1st April, 1968 by clause 33 of the Bill read with item 13 of the Third Schedule. In respect of all other payments, including payments to residents by way of interest other than interest on securities, or fees and other remuneration for professional services (which together with brokerage and commission payments, are proposed to be brought within the scope of the provisions for deduction of tax at source by section 194A proposed to be inserted in the Income-tax Act by clause 30 of the Bill), the rates for deduction of tax at source in the Bill are the same as in Part II of the First Schedule to the Finance Act, 1966.

As a step towards rationalising our tax system, the principle followed in the Bill in regard to the rates of taxes is that any changes in the rates should apply prospectively only to current incomes which are liable to tax in the succeeding assessment year, and not retrospectively to incomes which arose in the past year. Part III of the First Schedule prescribes the rates for deduction of tax at source from 'Salaries' and for the computation of 'advance tax' payable during the current financial year. These rates are basically the same as are applicable for the levy of tax on income liable to tax for the assessment year 1967-68, subject to the under-mentioned provisions for granting certain reliefs.

(*a*) A resident individual (whether unmarried or married) whose total income does not exceed Rs. 10,000 and who incurs any expenditure towards maintenance of one or more of his parents or grand-parents mainly dependent on him will be entitled to a fixed allowance of Rs. 400 for the year; tax relief will be calculated on this amount at the rate of 5 per cent. applicable to the initial slab of income.

(*b*) At present, unearned incomes (exclusive of interest on securities and dividends on units of the Unit Trust of India, in the case of individuals and Hindu undivided families) up to Rs. 15,000 do not bear the unearned income surcharge. The Bill

proposes to increase the limit up to which such unearned incomes do not bear surcharge from Rs. 15,000 to Rs. 30,000. Unearned income in the slab of Rs. 30,001 to 50,000 and in the slab over Rs. 50,000 will continue to bear surcharge at the existing rate of 20 per cent. and 25 per cent., respectively, of the income-tax thereon.

(c) At present, widely-held domestic companies whose total income does not exceed Rs. 25,000 are chargeable to tax at the concessional rate of 45 per cent. of their total income as against 55 per cent. in the case of widely-held domestic companies whose total income exceeds Rs. 25,000. The Bill proposes to extend the concessional rate of 45 per cent. to such companies whose total income does not exceed Rs. 50,000.

Clause 3 prescribes the rates at which annuity deposits in respect of incomes liable to tax for the current assessment year 1967-68 and also in relation to current incomes liable to tax for the succeeding assessment year 1968-69 will be required to be made by individuals and Hindu undivided families, unregistered firms and associations of persons under the provisions of Chapter XXIIA of the Income-tax Act. These rates are the same as those under the Finance Act, 1966.

Clause 4 seeks to make certain amendments to section 2 of the Income-tax Act.

Sub-clause (*a*) seeks to insert a new clause (1A) in section 2 of the Income-tax Act. The new clause defines the term 'amalgamation'. The proposed definition is broadly on the lines of the existing definition of the term 'amalgamation' contained in the Explanation to section 33(3) of the Income-tax Act, with certain modifications. The proposed definition makes it clear that the term 'amalgamation' means the merger of one or more companies with an existing company as well as the merger of two or more companies to form a new company. One of the conditions laid down in the existing definition, in the Explanation to section 33(3) is that shareholders holding not less than nine-tenths in value of the shares in the amalgamating company immediately before the amalgamation should become shareholders of the amalgamated company by virtue of the amalgamation. This condition had the effect of excluding from the scope of the definition a case of amalgamation where a company A holds more than 10 per cent. of the shares in another company B, and company B amalgamates with company A. The proposed new definition, makes it clear that in computing the 9/10ths in value of the shares for the purposes of this

provision, shares held immediately before the amalgamation by, or by a nominee for, the amalgamated company or its subsidiary will be excluded. Consequently, the specific provision in the existing definition in the Explanation to section 33(3) that amalgamation would include the merger of a subsidiary company in the holding company where the whole of the share capital of the subsidiary company is held by the holding company or its nominee, which has become superfluous, has been omitted in the new definition.

Sub-clause (b) seeks to insert a new clause (37A) in section 2 of the Income-tax Act. Clause (37A) defines the expression 'rate or rates in force' and 'rates in force' in relation to an assessment year or financial year for the purposes of calculating or computing income-tax to be charged, or deducted at source or paid as 'advance tax', under the different provisions of the Income-tax Act, to mean the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year.

Sub-clause (c) seeks to amend clause (42A) of section 2 of the Income-tax Act. The amendment proposed to be made by sub-clause (c)(i) is consequential to the amendment of section 49 by clause 20 of the Bill.

Sub-clause (c)(ii) seeks to insert a new sub-clause (c) in clause (42A) of section 2. The effect of this new sub-clause will be that in determining the period for which the assessee has held a capital asset being a share or shares in an Indian company which became his property, in a scheme of amalgamation, the period for which the share or shares in the amalgamating company were held by him will also be included.

Clause 5 seeks to amend clause (27) of section 10 of the Income-tax Act. The effect of this amendment will be that the exemption from tax in respect of income derived from a business of live-stock breeding or poultry or dairy farming, which was hitherto available in relation to the assessment years 1965-66, 1966-67 and 1967-68, will now continue on an indefinite basis.

Clause 6 seeks to amend sub-section (2) of section 23 of the Income-tax Act. The effect of this amendment will be that the annual value of a property which is in the occupation of the owner for the purposes of his own residence will be limited to ten per cent. of the assessee's other income (*i.e.*, all his income other than the income attributable to such self-occupied property) as computed before allowing the deductions under Chapter VIA of the Income-tax Act and the deduction for annuity deposit.

Clause 7 seeks to amend section 29 of the Income-tax Act. This amendment is consequential to the proposed insertion of new section 43A in the Income-tax Act by clause 17 of the Bill.

Clause 8 seeks to amend clause (2) of the Explanation to clause (iii) of sub-section (1) of section 32 of the Income-tax Act. The effect of this amendment will be that the transfer in a scheme of amalgamation of any capital asset by the amalgamating company to the amalgamated company which is an Indian company will not be regarded as a sale for the purpose of section 32(1)(iii) relating to the grant of a 'terminal allowance', or the provisions of sub-section (2) or sub-section (3) of section 41 of the Income-tax Act relating to the levy of a 'balancing charge'.

Clause 9 seeks to substitute sub-section (3) of section 33 of the Income-tax Act by a new sub-section The substituted sub-section is substantially the same as the existing sub-section, except for a few verbal and drafting changes which are consequential to the insertion of a new definition of 'amalgamation' in section 2 of the Income-tax Act by clause 4(a) of the Bill

Clause 10 seeks to substitute sub-section (5) of section 33A of the Income-tax Act by a new sub-section. The substituted sub-section makes only a few verbal and drafting changes in the existing provisions of sub-section (5), which are consequential to the insertion of a new definition of 'amalgamation' in section 2 of the Income-tax Act by clause 4(a) of the Bill

Clause 11 seeks to insert a new section 33B in the Income-tax Act The effect of the proposed new section will be that where the business of any industrial undertaking (which manufactures or produces articles) carried on by the assessee in India is discontinued in any previous year because of extensive damage to or destruction of, any building, machinery plant or furniture owned by the assessee and used for the purposes of such business, as a direct result of any of the specified circumstances, and within a period of three years from the end of that previous year the business is re-established, reconstructed or revived by the assessee, he shall become eligible for a deduction by way of 'rehabilitation allowance' of an amount equal to sixty per cent. of the amount of the 'terminal allowance' due to him under section 32(1)(iii) of the Income-tax Act, in respect of the building, machinery, plant or furniture which is so damaged or destroyed. The deduction will be allowed in computing his profits and gains of the previous year in

which the business is re-established, reconstructed or revived. The specified circumstances referred to above are—

(*i*) flood, typhoon, hurricane, cyclone, earth-quake or other convulsion of nature; or

(*ii*) riot or civil disturbance; or

(*iii*) accidental fire or explosion; or

(*iv*) action by an enemy or action taken in combating an enemy (whether with or without a declaration of war).

Clause 12 seeks to substitute the Explanation to clause (i) of sub-section (2) of section 34 by a new Explanation. This amendment is consequential to the amendment proposed to be made in section 47 of the Income-tax Act by clause 19 of the Bill. The effect of this amendment will be that where a capital asset is transferred by a company to another company (which is an Indian company) in a scheme of amalgamation, then, in determining whether the aggregate of all deductions in respect of depreciation exceeds the actual cost of the capital asset to the assessee, depreciation allowed in respect of the transferred asset to the amalgamating company will also be taken into account.

Clause 13 seeks to insert a new sub-section (5) in section 35 of the Income-tax Act. The effect of this amendment will be that where, in a scheme of amalgamation, the amalgamating company sells or otherwise transfers to the amalgamated company (which is an Indian company) any asset representing expenditure of a capital nature on scientific research, the amalgamating company will not be allowed any deduction under section 35(2)(ii) or 35(2)(iii) of the Income-tax Act on account of any deficiency arising on the transfer. The provisions of section 35 will, however, continue to apply to the amalgamated company as they would have applied to the amalgamating company if the latter had not so sold or otherwise transferred the asset.

Clause 14 seeks to insert a new sub-section (6) in section 35A of the Income-tax Act. The effect of this amendment will be that where, in a scheme of amalgamation, patent rights or copyrights referred to in section 35A are sold or otherwise transferred by the amalgamating company to the amalgamated company which is an Indian company, the provisions of section 35A (3) relating to the grant of 'terminal allowance' and the provisions of section 35A(4) relating to the 'balancing charge' will not apply to the amalgamating company. The provisions of the said section 35A will, however, continue to apply to the amalgamated company as they would have applied to the amalgamating company if the latter had not sold or otherwise transferred the rights.

Clause 15 seeks to amend clause (ix) of sub-section (1) of section 36 of the Income-tax Act. This amendment is consequential to the amendment proposed to be made in section 35 of the Income-tax Act by clause 13 of the Bill

Clause 16 seeks to amend section 43 of the Income-tax Act.

Sub-clause (*i*) seeks to insert a new Explanation 7 in clause (1) of section 43. The effect of this Explanation will be that where, in a scheme of amalgamation, any capital asset is transferred by the amalgamating company to the amalgamated company which is an Indian company, the 'actual cost' of the transferred capital asset to the amalgamated company will be taken at the same amount as would have been taken in the case of the amalgamating company had it continued to hold the capital asset for the purposes of its business.

Sub-clause (*ii*) seeks to insert a new Explanation 2A in clause (6) of section 43. The effect of this Explanation will be that where, in a scheme of amalgamation, any capital asset is transferred by the amalgamating company to the amalgamated company which is an Indian company, the 'written down value' of the transferred capital asset to the amalgamated company will be taken at the same amount as would have been taken in the case of the amalgamating company had it continued to hold the asset for the purposes of its own business.

Clause 17 seeks to insert a new section 43A in the Income-tax Act. The proposed section 43A, in substance secures that where an assessee had acquired any capital asset from a country outside India for the purposes of his business or profession on deferred payment terms or against a foreign loan, before the date of devaluation of the rupee, the additional rupee liability incurred by him in meeting the instalments of the cost of the asset or of the foreign loan, as the case may be, falling due for payment after the date of devaluation, will be allowed to be added to the original actual cost of the asset for the purpose of calculating the allowance on account of depreciation in computing the profits for the assessment year 1967-68 and subsequent assessment years. Similar increase in the original actual cost will be allowed to be made in respect of capital assets acquired by the assessee to be used in scientific research related to the class of business carried on by him or patent rights or copyrights acquired from abroad or any capital asset acquired by a company for the purpose of promoting family planning amongst its employees. Further, in computing the capital gains arising to the assessee on the sale or transfer of a capital asset acquired by him from abroad

on deferred payment terms or against a foreign loan, the additional rupee liability incurred by him in repaying the instalments of the cost or the foreign loan, as the case may be, after the date of devaluation of the rupee, will be added to the original actual cost of the asset. The proposed section also secures that where there is a decrease in the rupee liability of the assessee in respect of assets acquired by him from abroad, due to a change in the exchange value of the rupee, the original actual cost of the asset will be correspondingly reduced.

The additional rupee liability incurred on imported capital assets or, as the case may be, any decrease in such liability, in the circumstances stated in the earlier paragraph will not, however, be taken into account in computing the actual cost of the asset for the purpose of deduction on account of development rebate.

Clause 18 seeks to amend section 44 of the Income-tax Act. This amendment is consequential to the proposed insertion of new section 43A in the Income-tax Act by clause 17 of the Bill.

Clause 19 seeks to amend section 47 of the Income-tax Act by the insertion of two new clauses, namely, clause (vi) and clause (vii). The effect of the new clause (vi) will be that no capital gain or loss will be computed with reference to the transfer of a capital asset, in a scheme of amalgamation, by the amalgamating company to the amalgamated company which is an Indian company. Clause (vii) similarly seeks to secure that no capital gain or loss will be computed with reference to the transfer, by a shareholder, in a scheme of amalgamation, of a share or shares held by him in the amalgamating company, in consideration of the allotment to him of any share or shares in the amalgamated company which is an Indian company.

Clause 20 seeks to amend section 49 of the Income-tax Act. These amendments are consequential to the amendment proposed to be made in section 47 of the Income-tax Act by clause 19 of the Bill. The amendment made by sub-clause (i)(a) seeks to secure that where, in a scheme of amalgamation, any capital asset is transferred by the amalgamating company to the amalgamated company which is an Indian company, the cost of acquisition to the amalgamated company of the assets so transferred shall be deemed to be the cost for which these assets were acquired by the amalgamating company.

The amendment made by sub-clause (i) (b) is of a consequential nature.

The amendment made by sub-clause (ii) seeks to secure that where the capital asset, being a share or shares in an amalgamated company which is an Indian company, became the property of the

assessee in consideration of the transfer of a share or shares held by him in the amalgamating company, in a scheme of amalgamation, the cost of acquisition to him of the shares in the amalgamated company shall be taken to be the cost of acquisition to him of the share or shares in the amalgamating company.

Clause 21 seeks to amend section 55 of the Income-tax Act. These amendments are consequential to the amendments proposed to be made in section 49 by clause 20 of the Bill.

Clause 22 seeks to amend section 72 of the Income-tax Act.

Sub-clause (i) seeks to add a proviso to sub-section (1) of section 72. This enables the carry-forward and set off of any loss sustained in the business of an industrial undertaking carried on by the assessee in India, which after its discontinuance in the circumstances specified in section 33B (proposed to be inserted in the Income-tax Act by clause 11 of the Bill) is re-established, reconstructed or revived by the assessee within the three-year period referred to in that section. Such loss will be carried forward to the assessment year relevant to the previous year in which the business is so re-established, reconstructed or revived, and set off against the profits and gains of the assessee from that business or any other business carried on by him in that year and so on for a period of seven years next following, subject to the condition that the re-established, reconstructed or revived business continues to be carried on by the assessee.

Sub-clause (ii) seeks to amend sub-section (3) of section 72. This amendment is consequential to the amendment proposed to be made by sub-clause (i) above.

Clause 23 seeks to introduce, with effect from 1st April, 1966, a new section 80F in Chapter VIA of the Income-tax Act. The effect of the proposed section 80F will be that in the case of a resident individual, who is a citizen of India, and who receives remuneration from any foreign university or other educational institution or such other foreign association or body as may be notified in this behalf by the Central Government in the Official Gazette, for rendering service outside India as a professor, teacher or research worker in such university, institution, association or body, a deduction will be allowed in an amount equal to fifty per cent. of such remuneration in computing his total income. However, if the individual renders continuous service outside India in such university, institution, association or body for a period exceeding 36 months, he will not be entitled to the above-mentioned deduction in respect of his foreign remuneration for such service relating to any period after the expiry of the aforesaid 36 months.

Clause 24 seeks to amend section 84 of the Income-tax Act.

Sub-clause (a) seeks to substitute, with retrospective effect, sub-section (1) of that section. The effect of the substituted sub-section will be that the 'tax holiday' under section 84 of the Income-tax Act, in the case of newly established industrial undertakings and hotels (owned by companies), on the profits and gains up to six per cent per annum of the average capital employed in the undertaking or the hotel, will be extended to profits and gains derived by an Indian company from the plying of ships.

Sub-clause (b)(*i*) seeks to substitute, retrospectively, clause (iii) of sub-section (2) of section 84 of the Income-tax Act. The effect of the substituted provision will be that an industrial undertaking operating a cold storage plant in India will also be entitled to the 'tax holiday' under section 84

The amendment proposed to be made by sub-clause (b)(ii) is consequential to the amendment proposed to be made by sub-clause (b)(i).

Sub-clause (b)(*iii*) seeks to insert a proviso to sub-section (2) of section 84 The effect of the proviso will be that an industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in the proposed section 33B, in the circumstances and within the period specified in that section, will not be disentitled to the 'tax holiday' under section 84 by reason merely of the fact that such undertaking is formed by the splitting up, or reconstruction of a business, which was formerly in existence.

Sub-clause (c) seeks to substitute sub-section (3) of section 84 by a new sub-section The sub-section as substituted omits the existing condition that the hotel building should be owned by the Indian company in order to be eligible for the 'tax holiday' concession. Further, an Indian company running the business of a hotel will be eligible for the 'tax holiday' even in a case where the hotel premises were, before their transfer to the company, used for any purpose other than as premises for running a hotel.

Sub-clause (d) seeks to insert a new sub-section (3A) in section 84. The proposed sub-section lays down various conditions which have to be fulfilled before the profits and gains derived by an Indian company from the plying of a ship or ships

can qualify for the tax concession under this section. These conditions are that—

(*a*) the ship should be owned by an Indian company and wholly used by it for the purposes of its business;

(*b*) the ship, previous to the date of its acquisition by the Indian company, should not have been owned and used in Indian territorial waters by a person resident in India; and

(*c*) the ship should have been brought into use by the Indian company at any time within a period of twenty-three years next following 1st April, 1948.

The amendment proposed to be made by sub-clause (e) is consequential to the amendment proposed to be made by sub-clause (a) of this clause.

The amendment proposed to be made by sub-clause (f) is consequential to the amendment proposed to be made by sub-clause (b)(i) of this clause.

The amendment proposed to be made by sub-clause (g) is of a drafting nature.

Sub-clause (*h*) seeks to insert a new sub-section, namely, sub-section (9) in section 84. The proposed sub-section seeks to provide that in relation to a ship, the provisions of section 84 shall apply to the assessment for the assessment year relevant to the previous year in which the ship is brought into use by the Indian company and the four assessment years next following.

Clause 25 seeks to amend section 85 of the Income-tax Act with retrospective effect. This amendment is consequential to the extension of the 'tax holiday' provisions of section 84 of the Income-tax Act to profits and gains derived from the plying of a ship, by clause 24 of the Bill. The effect of this amendment will be that dividends from an Indian company which are attributable to its profits and gains derived from the plying of a ship, which are exempt from tax under the provisions of section 84, will be exempt from tax in the hands of the shareholders.

Clause 26 seeks to amend section 88 of the Income-tax Act. The effect of this amendment will be that donations to the Prime Minister's Drought Relief Fund will be eligible for rebate of tax without the operation of the ordinary ceiling limit over the qualifying amount, applicable to other charitable donations, namely, ten per cent. of the total income of the donor or Rs. 2 lakhs, whichever is less.

Clause 27 seeks to make certain amendments in Chapter XIII of the Income-tax Act with a view to facilitating the organisation of work in the Income-tax Department on functional basis.

Sub-clause (1) seeks to substitute a new sub-section for the existing sub-section (2) of section 121 of the Income-tax Act. The new sub-section (2) empowers the Board, by general or special order in writing, to distribute and allocate the work on functional basis among two or more Commissioners of Income-tax having concurrent jurisdiction over the same area or the same persons or classes of persons or the same incomes or classes of income or the same cases or classes of cases.

Sub-clause (2) seeks to substitute a new section for section 123 of the Income-tax Act. Under section 123 as substituted, it will be open to the Commissioner, by general or special order in writing, to distribute and allocate the work on functional basis among two or more Inspecting Assistant Commissioners having concurrent jurisdiction over the same area or the same persons or classes of persons or the same incomes or classes of income or the same cases or classes of cases.

Sub-clause (3) seeks to amend section 124 of the Income-tax Act. Sub-clause (3)(i) seeks to substitute new sub-sections for the existing sub-sections (1) and (2) of section 124. Under sub-sections (1) and (2), as substituted, it will be open to the Commissioner or the Inspecting Assistant Commissioner authorised by him in this behalf, by general or special order in writing, to distribute and allocate the work on functional basis amongst two or more Income-tax Officers having concurrent jurisdiction over the same area or the same persons or classes of persons or the same incomes or classes of income or the same cases or classes of cases. The amendment made by sub-clause (3)(ii) is consequential to the proposed insertion of new section 130A in the Income-tax Act by sub-clause (7).

Sub-clause (4) seeks to substitute a new section for section 125 of the Income-tax Act. Under section 125, as substituted, it will be open to the Commissioner of Income-tax to direct, by general or special order, that specific functions vested in the Income-tax Officer by or under the Income-tax Act shall be performed by an Inspector of Income-tax or any member of the ministerial staff subordinate to the Commissioner or other lower Income-tax authorities, in respect of any specified area, case or class of cases, person or class of persons or class of incomes, subject to such conditions, restrictions or limitations as may be specified by him in the order. However, the Commissioner may not assign to the Inspector of Income-tax or any member of the ministerial staff certain important functions of the Income-tax

Officer such as the function of summoning and examining witnesses, making searches and seizures, making of assessments, re-opening of assessments in cases of escapement of income, issue of recovery certificates, distress warrants or garnishee orders, levy of penalty, etc., unless the Board, by general or special order, authorises him to do so.

Sub-clause (5) seeks to substitute a new section for section 127 of the Income-tax Act. Under section 127, as substituted, the Commissioner or the Board may transfer any case from any Income-tax Officer or Income-tax Officers to any other Income-tax Officer or Income-tax Officers after following the procedure laid down in this behalf under the existing law The section further provides that where any case has been so transferred to two or more Income-tax Officers, the Board or the Commissioner or any Inspecting Assistant Commissioner authorised by him in this behalf, may, by general or special order in writing, distribute and allocate the work in such a case on functional basis among the Income-tax Officers to whom the case has been transferred.

Sub-clause (6) seeks to substitute a new section for section 128 of the Income-tax Act Section 128, as substituted, provides that Inspectors of Income-tax shall perform such functions in the execution of the Income-tax Act as are assigned to them by the Commissioner by an order made under section 125(1) (b) [as proposed to be substituted by sub-clause (4)] or otherwise or by any other Income-tax authority under whom they are appointed to work.

Sub-clause (7) seeks to insert a new section 130A at the end of Chapter XIII-B of the Income-tax Act. The new section 130A provides that in a case where two or more Income-tax Officers have concurrent jurisdiction over an assessee, the Income-tax Officer to whom a particular function or functions have been assigned by the Board or, as the case may be, the Commissioner or Inspecting Assistant Commissioner, shall be the Income-tax Officer empowered to perform such function or functions in relation to that assessee.

Clause 28 seeks to amend sub-section (1) of section 138 of the Income-tax Act. Under sub-section (1), as amended, it will be open to the Board or any other Income-tax authority specified by it by a general or special order in this behalf to furnish or cause to be furnished information relating to any assessee in respect of any assessment made under the Income-tax Act (or the Indian Income-tax Act, 1922) to any officer, authority or body performing any functions under any law relating to the imposition of any tax, duty or cess or to deal-

ings in foreign exchange where the Board or other Income-tax authority considers such information necessary for the purpose of enabling the officer, authority or body to perform his or its functions under that law. It will also be open to the Central Government to notify any officer, authority or body performing functions under any other law, and on such notification, the Board or any other Income-tax authority may furnish or cause to be furnished similar information relating to any assessee to the officer, authority or body so notified.

Clause 29 seeks to amend sub-section (4) of section 172 of the Income-tax Act. This amendment is consequential to the proposed insertion of new clause (37A) in section 2 of the Income-tax Act by clause 4(b) of the Bill.

Clause 30 seeks to make certain amendments in Chapter XVII of the Income-tax Act.

Sub-clause (1) seeks to omit the Explanation to section 193 of the Income-tax Act. This amendment is consequential to the proposed insertion of new clause (37A) in section 2 of the Income-tax Act by clause 4(b) of the Bill.

Sub-clause (2) seeks to insert a new section 194A in the Income-tax Act. Under the proposed section 194A, every person, other than an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of brokerage or commission, or fees or other remuneration for professional services, or interest, other than 'Interest on securities' will be required to deduct therefrom income-tax at the 'rates in force'. The deduction of tax will have to be made at the time of the credit of such income to the account of, or the payment thereof (by whatever mode) to, the person entitled to receive such income, whichever is earlier. However, deduction of tax will not be required to be made in a case where the person (not being a company or a registered firm) entitled to receive such income furnishes an affidavit (to the person responsible for paying the income) declaring that his total income for the assessment year next following the financial year in which the income is credited or paid will be less than the minimum amount liable to tax in his case. Further, no deduction of tax will be required to be made under the provisions of this section if the income is credited or paid before 1st October, 1967 or if the amount of income credited or paid at any one time does not exceed, in the case of income by way of brokerage or commission, the sum of five hundred rupees, and in any other case, the sum of two hundred rupees.

Sub-clause (3) seeks to replace section 198 of the Income-tax Act by a new section. Under the section as replaced, no deduc-

tion of tax will be required to be made by any person from any sums by way of interest on securities or dividends on shares or any other income payable to a corporation established by or under a Central Act which is, under any law for the time being in force, exempt from income-tax on its income, where such corporation is the owner of the securities or shares or has full beneficial interest therein. Under the existing section 196, similar exemption from deduction of tax at source operates in respect of sums payable to the Government or the Reserve Bank of India.

Sub-clause (4) seeks to amend section 197 of the Income-tax Act. This amendment is consequential to the amendment sought to be made by sub-clause (2).

Sub-clause (5) seeks to amend sections 198, 199, 200, 202 and 205 of the Income-tax Act. These amendments are consequential to the amendment sought to be made by sub-clause (2).

Sub-clause (6) seeks to substitute section 203 of the Income-tax Act by a new section. This amendment is consequential to the amendment sought to be made by sub-clause (2).

Sub-clause (7) seeks to amend section 204 of the Income-tax Act. This amendment is consequential to the amendment sought to be made by sub-clause (2).

The effect of the amendments made by sub-clauses (4), (5), (6) and (7) will be that the existing provisions of the law relating to the duties and liabilities of persons responsible for deducting tax at source from payments by way of interest on securities, dividends, etc., as well as the penalties attaching for default in these duties and liabilities, will be made applicable *mutatis mutandis* to persons responsible for deducting tax at source from payments by way of brokerage or commission, fees or remuneration for professional services or interest other than interest on securities, under the new section 194A proposed to be inserted in the Income-tax Act by sub-clause (2).

Sub-clause (8) seeks to insert a new section 206A in the Income-tax Act. The proposed section 206A seeks to provide that every person responsible for paying any income referred to in section 194A, sought to be inserted in the Income-tax Act by sub-clause (2), shall, within thirty days of the end of each financial year, furnish in the prescribed form and verified in the prescribed manner a return showing the name and address of every person who has furnished to him an affidavit under the proviso to the aforesaid section 194A(1), the amount of the income credited or

paid during the financial year to each such person, the time or times at which the same was paid or credited, and such other particulars as may be prescribed.

Clause 31 seeks to amend sections 209 and 215 of the Income-tax Act. These amendments are consequential to the proposed insertion of section 194A in the Income-tax Act by clause 30(2) of the Bill.

Clause 32 seeks to amend the First Schedule to the Income-tax Act. This amendment is consequential to the proposed insertion of new section 43A in the Income-tax Act by clause 17 of the Bill.

Clause 33 seeks to make some further amendments, specified in the Third Schedule, in the Income-tax Act with effect from the 1st April, 1968.

Item 1 of the Third Schedule seeks to insert a new clause (29) in section 10 of the Income-tax Act. The new clause seeks to exempt from tax an authority constituted under any law for the time being in force for the marketing of commodities in respect of any income derived by such authority from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities. This provision replaces the existing provision in section 83 of the Income-tax Act which, in consequence, is sought to be omitted from the Income-tax Act by item 14 of this Schedule.

Item 2 of the Third Schedule seeks to amend section 32 of the Income-tax Act.

Clause (a) seeks to insert a new clause (v) in sub-section (1) of section 32. The new clause provides for the grant of an 'initial' depreciation allowance, in a sum equal to twenty-five per cent. of the actual cost of construction of a new building (the erection of which is completed after 31st March, 1967) to an Indian company, in a case where such building is used by the company as premises for running a hotel, and the hotel is for the time being approved in this behalf by the Central Government. The deduction will be allowed in respect of the previous year in which the erection of the building is completed or, if the building is first put to use in the immediately succeeding previous year, then, in respect of that previous year. The 'initial' depreciation will not be deducted in determining the written down value of the building for the grant of the normal depreciation allowance under section 32(1)(ii); the initial depreciation will, however, be taken into account for the purposes of the other provisions of the Income-tax Act.

Clause (b) seeks to amend sub-section (2) of section 32 of the Income-tax Act. This amendment is consequential to the amendment proposed to be made by clause (a) of this item.

Item 3 of the Third Schedule seeks to amend section 33 of the Income-tax Act.

Clause (*a*) seeks to substitute sub-section (1) of section 33 by a new sub-section The new sub-section (1) omits references to certain dates of acquisition of a ship or the installation of any machinery or plant, which have no relevance for the assessment year 1968-69 and subsequent assessment years; the provisions of the substituted sub-section have also been re-drafted so as to make them more easily comprehensible. The substantive change in the new sub-section consists in the grant of development rebate at the higher rates applicable to machinery or plant installed in a priority industry, to machinery or plant installed after 31st March, 1967 by an Indian company in premises used by it as a hotel, where the hotel is for the time being approved in this behalf by the Central Government, and to machinery or plant installed by any assessee after the aforesaid date, being an asset representing expenditure of a capital nature on scientific research related to the business carried on by the assessee. The higher rates of development rebate in respect of the machinery or plant mentioned above are thirty-five per cent. of the actual cost of the machinery or plant to the assessee, where it is installed before 1st April, 1970 and twenty-five per cent. of such cost, where it is installed after 31st March, 1970.

Clause (*b*) seeks to amend sub-section (2) of section 33 of the Income-tax Act. This amendment is consequential to the proposed substitution of the existing Chapter VIA of the Income-tax Act by a new Chapter VIA by item 13.

Clause (*c*) seeks to amend sub-section (6) of section 33. The effect of this amendment will be that the prohibition against the grant of development rebate in respect of machinery or plant installed after 31st March, 1965 in any office premises or in any residential accommodation, including guest houses, will not operate in respect of any machinery or plant installed after 31st March, 1967 by an Indian company carrying on business as a hotelier in premises used by it as a hotel, where the hotel is for the time being approved in this behalf by the Central Government.

Item 4 of the Third Schedule seeks to amend sub-section (2) of section 33A of the Income-tax Act. This amendment is consequential to the substitution of the existing Chapter VIA of the Income-tax Act by a new Chapter VIA by item 13.

Item 5 of the Third Schedule seeks to make certain amendments in sub-section (2) of section 35 of the Income-tax Act.

Clause (*i*) seeks to substitute the existing clause (i) of the said sub-section (2) by two new clauses, namely, clause (i) and clause (*ia*). Under the new clause (*i*), capital expenditure on scientific research related to the class of business carried on by the assessee which is incurred before the 1st April, 1967 will be allowed to be deducted over a period of five years, as under the existing law. The new clause (ia) provides that where such expenditure is incurred after the 31st March, 1967, the whole of such expenditure will be allowed as a deduction in the previous year in which such expenditure has been incurred.

The amendments made by clauses (ii) and (iii) are consequential to the amendment made by clause (i).

Item 6 of the Third Schedule seeks to amend clause (viii) of sub-section (1) of section 36 of the Income-tax Act. This amendment is consequential to the substitution of the existing Chapter VIA of the Act by a new Chapter VIA by item 13.

Item 7 of the Third Schedule seeks to amend sub-section (3) of section 41 of the Income-tax Act. This amendment is consequential to the amendment proposed to be made in section 35 of the Income-tax Act by item 5.

Item 8 of the Third Schedule seeks to substitute a new proviso for the existing proviso to clause (1) of section 43 of the Income-tax Act. Under the proviso as substituted, the 'actual cost' of a motor car, for the purpose of calculating depreciation allowance, will not be limited to Rs. 25,000, as under the existing law, where the motor car is acquired after 31st March, 1967, and is used in a business of running it on hire as a tourist-taxi.

Item 9 of the Third Schedule seeks to amend section 66 of the Income-tax Act. This amendment is consequential to the proposed omission of sections 87, 87A and 88 of the Act by item 15.

Item 10 of the Third Schedule seeks to substitute sub-section (2) of section 71 of the Income-tax Act by two new sub-sections.

The effect of the new sub-section (2) will be that any loss sustained by the assessee under any head of income other than 'Capital gains', which under the existing provisions of the Act cannot be set off against his income chargeable under the head 'Capital gains' except if the assessee so desires, will be set off against his income relating to capital gains from short-term capital assets.

The effect of the new sub-section (3) will be that any loss sustained by the assessee from the transfer of any short-term capital asset, which under the existing provisions of the law cannot be set

off against his ordinary income, will be set off against such income. The effect of these two provisions will be that, for the purposes of set off of loss under one head against income under another, capital gains relating to short-term capital assets will be treated on par with ordinary income.

Item 11 of the Third Schedule seeks to amend section 72 of the Income-tax Act. This amendment is consequential to the amendment proposed to be made in section 71 of the Act by item 10.

Item 12 of the Third Schedule seeks to amend section 74 of the Income-tax Act. This amendment is consequential to the amendment proposed to be made in section 71 of the Income-tax Act by item 10.

Item 13 of the Third Schedule seeks to substitute a new Chapter for Chapter VIA of the Income-tax Act. The new Chapter VIA seeks, *inter alia,* to replace the existing provisions for grant of full or partial rebate of tax at the average rate of tax or charging of tax at a concessional rate on certain items of income or payments, contained in Chapter VII, Chapter VIII and Chapter XII of the Income-tax Act, by provisions for allowing a straight deduction of the whole or a specified percentage of the amount qualifying for the rebate or concessional rate of tax, in computing the total income. The provisions of sections 80A to 80E of the existing Chapter VIA also find a place in the new Chapter with certain modifications. The new Chapter VIA also incorporates certain new provisions.

New section 80A lays down certain general principles which are relevant for the purposes of the deductions to be allowed in computing the total income under new sections 80C to 80T. In particular, section 80A(2) limits the aggregate of these deductions to the gross total income of the assessee, *i.e.,* the total income as computed under the provisions of the Income-tax Act before making any deduction under Chapter VIA or for annuity deposit under section 280O of that Act and without applying the provisions of section 64 of that Act. Section 80A(3) provides that where a deduction has been allowed under new section 80G or 80H or 80J or 80K or 80L or 80S or 80T in computing the total income of a firm, association of persons or body of individuals, no deduction under the same section shall be allowed in computing the total income of a partner of the firm or a member of the association or body, in relation to his share in the income of the firm, association or body.

New section 80B contains definitions of certain terms used in this Chapter.

New section 80C, relating to deductions in respect of life insurance premia, contributions to provident fund, etc., corresponds to the existing section 80A of the Income-tax Act, except for certain verbal or drafting changes and an increase in the limits of the amount qualifying for the deduction under that section. The new limits will be 30 per cent. of the gross total income or Rs. 15,000, whichever is less, in the case of an individual, and 30 per cent. of the gross total income or Rs. 30,000, whichever is less, in the case of a Hindu undivided family.

New section 80D, relating to deduction in respect of medical treatment of handicapped dependants, corresponds to the existing section 80B of the Income-tax Act, except for certain verbal or drafting changes.

New section 80E, relating to deduction in respect of payments for securing retirement annuities, corresponds to the existing section 80C of the Income-tax Act, except for certain verbal or drafting changes.

New section 80F provides for the deduction of a specified amount in the computation of the total income in the case of a resident individual who is not a citizen of India, where such individual has incurred out of his income chargeable to tax any expenditure on the full time education of a child of 21 years or under, dependent on him, in a university, college or school or other educational institution outside India. The specified amounts are Rs. 1,500 for each such child subject to a maximum amount of Rs. 3,000 in respect of two or more such children. This provision replaces the existing provision in section 87A of the Income-tax Act which, in consequence, is sought to be omitted by item 15.

New section 80G seeks to replace the existing section 88 of the Income-tax Act. The new section provides for a straight deduction of 50 per cent. of the qualifying amount of donations in computing the total income of all categories of tax payers. In other respects, the provisions of the new section correspond to the provisions of the existing section 88 (as sought to be amended by clause 26 of the Bill), which, in consequence, is sought to be omitted by item 15.

New section 80H provides that in computing the total income of any assessee whose 'gross total income' includes any profits and gains derived from a new industrial undertaking which satisfies all the conditions laid down in that section, a deduction will be allowed of a sum equal to fifty per cent. of the amount of such profits and gains, subject to a monetary ceiling over the deduction, of Rs. 1 lakh. This

deduction will be allowed in respect of the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles, and the nine assessment years immediately succeeding. The deduction under this section will be available in respect of the profits and gains of a new industrial undertaking which fulfils all the following conditions, namely:—

(*i*) it is not formed by the splitting up or reconstruction of a business already in existence;

(*ii*) it is not formed by the transfer to a new business of a building, machinery or plant previously used for any purpose;

(*iii*) it has begun or begins to manufacture or produce articles in any part of India at any time within the period of three years next following the 1st April, 1967;

(*iv*) it employs, on every working day throughout the previous year, fifty or more workers in a manufacturing process (whether carried on with or without the aid of power);

(*v*) it employs displaced persons or repatriates or members of the families of displaced persons or repatriates, and the daily average number of such employees, as certified by the prescribed authority, is not less than sixty per cent. of the daily average of all the persons employed in the undertaking throughout the previous year. In computing the daily average number of employees who are displaced persons or repatriates or members of the families of displaced persons or repatriates, any such employee who had completed the age of forty years at the time of his first employment in the undertaking will not be taken into account.

The expressions 'displaced person' and 'repatriate' have been defined in clause (1) and clause (9), respectively, of new section 80B.

The expression 'member of the family' in this section means any member of the family of a person who, before his employment in the undertaking, was dependent on such person.

New section 80I relating to deduction in respect of profits and gains from priority industries in the case of certain companies seeks to replace the existing section 80E of the Income-tax Act. The only change of a substantive character which has been made in the new section consists in the extension of the concession available under the existing section 80E to profits and gains derived from the

business of a hotel carried on by an Indian company in a case where such hotel is for the time being approved in this behalf by the Central Government.

New section 80J seeks to replace section 84 of the Income-tax Act as proposed to be amended by clause 24 of the Bill. Under section 80J, where the gross total income of an assessee includes any profits and gains from an industrial undertaking or ship or the business of a hotel to which this section applies, the profits and gains of such industrial undertaking or ship or the business of the hotel up to 6 per cent. per annum of the capital employed therein will be allowed as a straight deduction in computing the total income of the assessee. Under the provisions of section 84, such income qualifies for a rebate of tax at the average rate of tax applicable to the total income of the assessee.

Section 80J further provides for the carry-forward of any deficiency in the 'tax holiday' benefit from the assessment year 1967-68 onwards to the subsequent assessment years for being allowed as a straight deduction in computing the total income of the assessee for such subsequent assessment years. Such carry-forward is to be allowed up to the eighth assessment year commencing with the assessment year in which the industrial undertaking started producing articles or operating a cold storage plant or the ship was brought into use by the Indian company for the purpose of its business or, as the case may be, the business of the hotel started functioning. The 'deficiency' in the 'tax holiday' benefit is the amount by which the profits and gains derived from the industrial undertaking or ship or business of the hotel in each year falls short of six per cent. of the capital employed in the business. While the carry-forward and allowance of deficiency is, as stated above, permissible up to the 8th assessment year from the year of commencement of the business, the deduction on account of profits and gains up to 6 per cent. of the capital employed is to be allowed, as under the present law, for a total period of 7 years from the year of commencement of the business in the case of a co-operative society, or 5 years in the case of any other assessee.

In other respects, the provisions of section 80J are, in substance, the same as those of section 84, as proposed to be amended by clause 24 of the Bill.

Where the industrial undertaking which is entitled to the deduction on account of 'tax holiday' under section 80J is entitled also to the deduction under section 80H or section 80I, the deductions under sections 80H and 80I will first be allowed from the profits of the industrial undertaking

and the deduction under section 80J will be allowed with reference to the balance of such profits remaining after the deductions under sections 80H and 80I.

Section 84 is, in consequence, proposed to be omitted by item 14.

New section 80K seeks to replace the existing section 85 of the Income-tax Act, whereunder dividends attributable to the 'tax holiday' profits of a company qualify for rebate of tax in the hands of the shareholder of the company. Instead of the rebate of tax allowed on such dividends under section 85 of the Income-tax Act, new section 80K provides that the entire amount of such dividends included in the 'gross total income' of the shareholder will be allowed as a deduction in computing his total income. Section 85 of the Income-tax Act is, in consequence, proposed to be omitted by item 14.

New section 80L provides that where in the case of any assessee, the income by way of dividends included in his gross total income does not exceed five hundred rupees, the entire amount of the income by way of dividends from an Indian company or companies will be allowed as a deduction in computing his total income.

New section 80M seeks to replace section 85A of the Income-tax Act relating to grant of a partial rebate of tax on inter-corporate dividends in the hands of the company receiving the dividends. Under section 80M, where the gross total income of a company includes income by way of dividends received by it from a domestic company, a specified percentage of such dividends will be allowed as a straight deduction in computing its total income. In the case of a foreign company receiving dividends from a closely-held Indian company which is mainly engaged in a priority industry, the deduction will be of an amount equal to 80 per cent. of such dividends, and 60 per cent. in respect of dividends received by it from any other domestic company or companies. In the case of a domestic company, the deduction will be an amount equal to 60 per cent. of the dividends received by it from any other domestic company or companies.

Where the company receiving the inter-corporate dividends is entitled also to the deduction under section 80K (relating to dividends attributable to 'tax holiday' profits of the company paying the dividends) or under section 80L (relating to deduction of dividends from Indian companies in cases where the total amount of dividends does not exceed Rs. 500), the deduction under section 80M will be allowed with reference to the amount of the dividends as reduced by the deductions under sections 80K and 80L.

Section 85A of the Income-tax Act is, in consequence, proposed to be omitted by item 14.

New section 80N seeks to replace section 85B of the Income-tax Act relating to grant of a partial rebate of tax on dividends received by an Indian company from a foreign company on shares in the foreign company allotted to it in consideration for the supply of technical know-how or technical services under approved agreements. Under section 80N, 60 per cent. of such dividends will be allowed as a straight deduction in computing the total income of the Indian company.

Section 85B of the Income-tax Act is, in consequence, sought to be omitted by item 14.

New section 80O seeks to replace section 85C of the Income-tax Act relating to grant of a partial rebate of tax on income by way of royalties, commission or fees received by an Indian company from a foreign company in consideration for the supply of technical know-how or technical services under approved agreements. Under section 80O, 60 per cent. of such income will be allowed as a straight deduction in computing the total income of the Indian company.

Section 85C of the Income-tax Act is, in consequence, sought to be omitted by item 14.

New section 80P seeks to replace section 81 of the Income-tax Act relating to the grant of a rebate of tax on certain categories of incomes of co-operative societies. Under section 80P, the amount of income which at present qualifies for rebate of tax will be allowed as a straight deduction in computing the total income of the co-operative society. The details of the income qualifying for this concession as well as the conditions under which it so qualifies, under the new section 80P remain the same as under the existing section 81.

Section 81 of the Income-tax Act is, in consequence, sought to be omitted by item 14.

New section 80Q seeks to replace section 82 of the Income-tax Act relating to grant of rebate of tax to a member of a co-operative society in respect of dividends received by him from the society. Under section 80Q, the whole of such dividends will be allowed as a straight deduction in computing the total income of the member of the co-operative society.

Section 82 of the Income-tax Act is, in consequence, sought to be omitted by item 14.

New section 80R replaces section 80F proposed to be inserted in the Income-tax Act, by clause 23 of the Bill. The provisions of section 80F, as explained in the note on clause 23, remain unchanged.

New section 80S seeks to replace section 112 of the Income-tax Act relating to the charging of tax at a concessional rate on income by way of compensation for the termination of a managing agency, etc., in the case of non-corporate assessees. Under section 80S, 25 per cent. of such income will be allowed as a straight deduction in computing the total income of such assessee, subject to a ceiling limit of Rs 1 lakh over the amount of the deduction.

Section 112 of the Income-tax Act is, in consequence, sought to be omitted by item 18.

New section 80T seeks to replace section 114 of the Income-tax Act relating to the charging of tax at a concessional rate on income chargeable under the head 'Capital gains' in the case of non-corporate assessees. Under section 80T, a straight deduction will be allowed of a specified proportion of the long-term capital gains (*i.e.* capital gains relating to capital assets other than short-term capital assets) included in the gross total income of the assessee in computing his total income. The amount of the deduction will be Rs 5,000 *plus* 40 per cent. of the amount by which the long-term capital gains exceed Rs. 5,000, where they relate to buildings or lands or any rights in buildings or lands. The deduction will be Rs. 5,000 *plus* 60 per cent. of the amount by which the long-term capital gains exceed Rs. 5,000, where these relate to any other assets. In a case where the capital gains relate to both categories of capital assets, namely, buildings or lands or any rights therein as well as any other capital assets, the initial amount of Rs. 5,000 will be deducted in the first instance from the long-term capital gains relating to buildings or lands or rights therein; and where such long-term capital gains are less than Rs. 5,000, the balance will be deducted from the long-term capital gains relating to other capital assets, before applying the percentage of 60 to the latter.

In a case where the gross total income including the long-term capital gains does not exceed Rs. 10,000, or where the long-term capital gains do not exceed Rs. 5,000, the whole of the long-term capital gains will be allowed as a straight deduction in computing the total income. The provision for charging a minimum tax at the rate of 15 per cent. of the long-term capital gains in excess of Rs. 5,000, which exists under the present law, will no longer be operative.

Capital gains relating to short-term capital assets, which under the existing section 114, are subjected to tax at the average rate of

tax applicable to the aggregate of the ordinary income and the short-term capital gains, will henceforth be treated on par with ordinary income.

Section 114 of the Income-tax Act is, in consequence, sought to be omitted by item 18.

Item 14 of the Third Schedule seeks to omit sections 81, 82, 83, 84, 85, 85A, 85B and 85C of the Income-tax Act. These amendments are consequential to the new provisions proposed to be made in Chapter VIA of the Act by item 13.

Item 15 of the Third Schedule seeks to make certain amendments to Chapter VIII of the Income-tax Act. These amendments are consequential to the new provisions proposed to be made in Chapter VIA by item 13.

Item 16 of the Third Schedule seeks to amend section 104 of the Income-tax Act. This amendment is consequential to the substitution of the existing Chapter VIA of the Act by a new Chapter by item 13.

Item 17 of the Third Schedule seeks to make certain amendments in section 109 of the Income-tax Act. These amendments are either of a drafting nature or are consequential to the substitution of the existing Chapter VIA of the Act by a new Chapter by item 13.

Item 18 of the Third Schedule seeks to make certain amendments in Chapter XII of the Income-tax Act.

Clause (a) seeks to omit section 112 of the Income-tax Act. This amendment is consequential to the replacement of the existing section 112 by section 80S in the new Chapter VIA proposed to be substituted for the existing Chapter VIA by item 13.

Clause (b) seeks to amend section 112A of the Income-tax Act. These amendments are consequential to the amendments proposed to be made by clause (a) and clause (c).

Clause (c) seeks to omit section 114 of the Income-tax Act. This amendment is consequential to the replacement of the existing section 114 of the Income-tax Act by section 80T in the new Chapter VIA, proposed under item 13.

Item 19 of the Third Schedule seeks to amend sub-section (3) of section 197. This amendment is consequential to the replacement of the existing sections 84 and 85 of the Income-tax Act by sections 80J and 80K, respectively, in the new Chapter VIA, under item 13

Item 20 of the Third Schedule seeks to amend section 236 of the Income-tax Act. The amendment proposed to be made by clauses (a) and (c) are consequential to the substitution of the existing Chapter VIA of the Act by a new Chapter by item 13.

The amendment proposed to be made by clause (b) is consequential to the replacement of the existing section 88 of the Income-tax Act by the proposed section 80G in new Chapter VIA, under item 13.

Item 21 of the Third Schedule seeks to amend the definition of 'adjusted total income' in section 280B(1) of the Income-tax Act. Under the amended definition, no annuity deposit will be required to be made in respect of the depositor's income arising in a foreign country the laws of which prohibit or restrict the remittance of money to India. This provision will apply for the purpose of computing the annuity deposit to be made during the financial year 1967-68 in relation to income assessable for the assessment year 1968-69, and for the following years.

Item 22 of the Third Schedule seeks to amend section 280X of Income-tax Act. The amendment proposed to be made by clauses (a) the annuity deposit will not be chargeable in a case where (a) the depositor is more than sixty years of age on the last day of the relevant previous year, as against seventy years under the present law; (b) the annuity deposit required to be made does not exceed Rs. 100; or (c) the deficiency in the deposit actually made is not more than ten per cent. of the deposit required to be made, or one hundred rupees, whichever is higher. These provisions will apply in relation to annuity deposit to be made during the financial year 1967-68 in respect of income assessable for the assessment year 1968-69.

Item 23 of the Third Schedule seeks to amend section 295 of the Income-tax Act. This amendment is consequential to the omission of section 87 of the Act by item 15 and the replacement of section 80A by section 80C in the new Chapter VIA by item 13.

Item 24 of the Third Schedule seeks to amend rule 7 of Part A of the Fourth Schedule to the Income-tax Act. This amendment is consequential to the replacement of section 80A by new section 80C by item 13, and the omission of section 87 by item 15.

Item 25 of the Third Schedule seeks to amend the Fifth Schedule to the Income-tax Act. The amendment is consequential to the proposed amendment of section 33(1) of the Income-tax Act by item 3, and the insertion of a definition of 'priority industry' in the new section 80B(7) of the proposed Chapter VIA under item 13.

Clause 34 seeks to make certain amendments in the Wealth-tax Act, 1957.

Sub-clause (*a*) seeks to insert, retrospectively, a new sub-clause (iia) in clause (h) of section 2 of the Wealth-tax Act. The effect of the new sub-clause (iia) is to empower the Central Government to declare, by general or special order, any corporation established by or under a Central, State or Provincial Act as a 'company' for the purposes of the Wealth-tax Act. The object of the proposed amendment is to secure that any statutory corporation which is declared by the Central Government to be a company will be subjected to wealth-tax for assessment years up to and including the assessment year 1959-60 at the lower rate of wealth-tax applicable to companies, and exempted from wealth-tax for subsequent assessment years, in the same manner as companies formed and registered under the Companies Act, 1956.

Sub-clauses (*b*) *to* (*g*) seek to amend certain provisions of the Wealth-tax Act relating to jurisdiction of Wealth-tax authorities, to bring these in line with the provisions of the Income-tax Act relating to jurisdiction of Income-tax authorities as proposed to be amended by clause 27 of the Bill, with a view to facilitating the organisation of work in relation to wealth-tax assessments on functional basis.

Sub-clause (*b*) seeks to insert a proviso in section 8 of the Wealth-tax Act. Under the proviso, it will be open to the Commissioner of Wealth-tax or the Inspecting Assistant Commissioner of Wealth-tax authorised by him in this behalf, by general or special order in writing, to distribute and allocate the work on functional basis among two or more Wealth-tax Officers having concurrent jurisdiction in respect of any individual, Hindu undivided family or company.

Sub-clause (*c*) seeks to insert two new sections 8A and 8B in replacement of the existing section 8A of the Wealth-tax Act. Under new section 8A, it will be open to the Commissioner of Wealth-tax to direct, by general or special order, that specific functions vested in the Wealth-tax Officer by or under the Wealth-tax Act shall be performed by an Inspector of Wealth-tax or any member of the ministerial staff subordinate to the Commissioner or other lower Wealth-tax authorities, in respect of any specified area or cases or classes of cases or persons or classes of persons, subject to such conditions, restrictions or limitations as may be specified by him in the order. However, the Commissioner may not assign to the Inspector of Wealth-tax

or any member of the ministerial staff certain important functions of the Wealth-tax Officer such as making of assessments, reopening of assessments in cases of escapement of wealth, levy of penalty, etc. unless the Board, by general or special order in writing, authorises him to do so.

The new section 8B authorises the Commissioner or the Board to transfer any case from any Wealth-tax Officer or Wealth-tax Officers to any other Wealth-tax Officer or Wealth-tax Officers after following the procedure laid down in this behalf under the existing law. The section further provides that where any such case has been transferred to two or more Wealth-tax Officers, the Board or the Commissioner or the Inspecting Assistant Commissioner authorised by him in this behalf may, by general or special order in writing, distribute and allocate the work in such case on functional basis among the Wealth-tax Officers to whom the case has been transferred.

Sub-clause (*d*) seeks to amend section 10 of the Wealth-tax Act. Under section 10, as amended, it will be open to the Board to distribute and allocate the work on functional basis to two or more Commissioners of Wealth-tax having concurrent jurisdiction over the same area or persons or classes of persons.

Sub-clause (*e*) seeks to amend section 11 of the Wealth-tax Act. Under section 11, as amended, it will be open to the Commissioner of Wealth-tax, by general or special order in writing, to distribute and allocate the work on functional basis among two or more Inspecting Assistant Commissioners of Wealth-tax having concurrent jurisdiction over the same area or persons or classes of persons

Sub-clause (*f*) seeks to substitute a new section for section 11A of the Wealth-tax Act. The new section 11A provides that an Inspector of Wealth-tax shall perform such functions in the execution of the Wealth-tax Act as are assigned to him by the Commissioner by an order made under section 8A(1) [as proposed to be inserted by sub-clause (c)] or otherwise or by any other Wealth-tax authority under whom he is appointed to work.

Sub-clause (*g*) seeks to insert a new section 11B after section 11A of the Wealth-tax Act. The new section 11B provides, in substance, that in a case where two or more Wealth-tax Officers have concurrent jurisdiction over an assessee, the Wealth-tax Officer to whom a particular function or functions have been

assigned by the Board or, as the case may be, the Commissioner or the Inspecting Assistant Commissioner of Wealth-tax shall be the Wealth-tax Officer empowered to perform such function or functions in relation to that assessee.

Clause 35 seeks to make certain amendments in the Gift-tax Act, 1958.

Sub-clauses (*a*) to (*f*) seek to amend the provisions in the Gift-tax Act relating to jurisdiction of Gift-tax Officers, with a view to bringing them in line with the provisions in the Income-tax Act in the matter relating to jurisdiction of Income-tax authorities as proposed to be amended by clause 27 of the Bill, for the purpose of facilitating the organisation of work under the Gift-tax Act on functional basis.

Sub-clause (*a*) seeks to insert a proviso in section 7 of the Gift-tax Act. Under the proviso, it will be open to the Commissioner of Gift-tax or the Inspecting Assistant Commissioner of Gift-tax authorised by him in this behalf, by general or special order in writing, to distribute and allocate the work on functional basis amongst two or more Gift-tax Officers having concurrent jurisdiction over the same person.

Sub-clause (*b*) seeks to substitute two new sections 7A and 7B in replacement of the existing section 7A of the Gift-tax Act. Under the new section 7A, it will be open to the Commissioner of Gift-tax to direct, by general or special order, that specific functions vested in the Gift-tax Officer by or under the Gift-tax Act shall be performed by an Inspector of Gift-tax or any member of the ministerial staff subordinate to the Commissioner or other lower Gift-tax authorities, in respect of any specified area or cases or class of cases or persons or class of persons, subject to such conditions, restrictions or limitations as may be specified by him in the order. However, the Commissioner may not assign to the Inspector of Gift-tax or any member of the ministerial staff certain important functions of the Gift-tax Officer such as making of assessments, reopening of assessments in cases of escapement, levy of penalty, etc., unless the Board, by general or special order, authorises him to do so.

The new section 7B authorises the Commissioner or the Board to transfer any case from any Gift-tax Officer or Gift-tax Officers to any other Gift-tax Officer or Gift-tax Officers after following the procedure laid down in this behalf under the existing law. The section further provides that where any case

has been so transferred to two or more Gift-tax Officers, the Board or the Commissioner or any Inspecting Assistant Commissioner of Gift-tax authorised by him in this behalf may, by general or special order in writing, distribute and allocate the work in such case on functional basis among the Gift-tax Officers to whom the case has been transferred.

Sub-clause (*c*) seeks to amend section 9 of the Gift-tax Act. Under section 9, as amended, it will be open to the Board to distribute and allocate the work on functional basis amongst two or more Commissioners of Gift-tax having concurrent jurisdiction over the same area or persons or classes of persons.

Sub-clause (*d*) seeks to amend section 10 of the Gift-tax Act. Under section 10, as amended, it will be open to the Commissioner, by general or special order in writing, to distribute and allocate the work on functional basis among two or more Inspecting Assistant Commissioners of Gift-tax having concurrent jurisdiction over the same area or persons or classes of persons.

Sub-clause (*e*) seeks to substitute a new section 11 for the existing section 11 of the Gift-tax Act. Section 11, as substituted, provides that any Inspector of Gift-tax shall perform such functions in the execution of the Gift-tax Act as are assigned to him by the Commissioner by an order made under new section 7A(1) [proposed to be inserted by sub-clause (b)] or otherwise or by any other Gift-tax authority under whom he is appointed to work.

Sub-clause (*f*) seeks to re-number the existing section 11A as section 11B and to insert a new section 11A in the Gift-tax Act. The new section 11A provides, in substance, that in a case where two or more Gift-tax Officers have concurrent jurisdiction over an assessee, the Gift-tax Officer to whom a particular function or functions have been assigned by the Board or, as the case may be, the Commissioner or the Inspecting Assistant Commissioner of Gift-tax, shall be the Gift-tax Officer empowered to perform such function or functions in relation to that assessee.

Sub-clause (*g*) seeks to amend section 45 of the Gift-tax Act by inserting a new clause (da) in that section. The effect of this amendment will be that no gift-tax will be chargeable on the transfer of assets, in a scheme of amalgamation, by a closely-held company to any Indian company. For the purposes of this provision, the term 'amalgamation' shall have the same meaning as in clause (1A) of section 2 of the Income-tax Act, proposed to be inserted by clause 4(a) of the Bill.

Clause 36 seeks to make certain amendments in the Companies (Profits) Surtax Act, 1964.

Sub-clause (*a*) seeks to amend section 3(1) of the said Act so as to include an Inspector of Income-tax in the category of Income-tax authorities authorised to perform functions under the said Act.

Sub-clause (*b*) seeks to amend section 18 of the Companies (Profits) Surtax Act which seeks to apply, for the purposes of that Act, certain provisions of the Income-tax Act. Under the amended section 18, the provisions of the Income-tax Act relating to jurisdiction of Income-tax authorities, as proposed to be amended by clause 27 of the Bill, as well as the provisions of that Act relating to rounding off of income and tax, will be made applicable for the purposes of the Companies (Profits) Surtax Act.

Clause 37 seeks to indicate the nature of duty against specified items of the First Schedule to the Indian Tariff Act, 1934.

Clause 38 seeks to levy up to the 31st March, 1968 a special duty of customs.

Clause 39 seeks to provide for levy of regulatory duties of customs up to the 15th May, 1968, on a flexible basis within the specified ceiling rates, for regulating or bringing greater economy in imports.

Clause 40—

Sub-clause (*a*) seeks to raise the rate of duty on coffee;

Sub-clause (*b*) seeks to raise the rates of duty on cigars and cheroots,

Sub-clause (*c*) seeks to raise the rate of duty on motor spirit;

Sub-clause (*d*) seeks to raise the rate of duty on petroleum products, not otherwise specified;

Sub-clause (*e*) seeks to raise the rate of duty on artificial or synthetic resins and plastic materials, and articles thereof;

Sub-clause (*f*) seeks to levy excise duty on rubber piping, tubing and belting,

Sub-clause (*g*) seeks to raise the rate of duty on rayon and synthetic fibres and yarn;

Sub-clause (*h*) seeks to raise the rates of duty on cotton twist, yarn and thread, all sorts;

Sub-clause (i) seeks to raise the rates of duty on jute manufactures;

Sub-clause (j) seeks to raise the rates of duty on aluminium in various forms

Clause 41 seeks to continue up to the 31st March 1968 the existing special duties of excise

Clause 42 seeks to provide for levy of regulatory duties of excise up to the 15th May 1968, on a flexible basis within the specified ceiling rate, for regulating or bringing greater economy in consumption.

Clause 43 seeks to amend the First Schedule to the Indian Post Office Act, 1898 with a view to increasing the postage rates for Registered Newspapers and Parcels

Clause 44 seeks to substitute a new section for the existing section 30 of the Deposit Insurance Corporation Act 1961. The effect of this amendment will be that the Deposit Insurance Corporation will be exempted from tax on its income for a further period of five accounting years from its accounting year commencing on the 1st January 1967

Clause 45 seeks to give retrospective effect to certain amendments made in the Unit Trust of India Act 1963 by the Unit Trust of India (Amendment) Act 1966. The effect of this provision will be that the Unit Trust will not be liable to surtax on its income and, likewise, institutions contributing to the initial capital of the Trust will not be liable to surtax on the income derived by them from the Trust, for the assessment years 1964-65 onwards

Clause 46 seeks to make a provision for resolving certain difficulties arising in the operation of the voluntary disclosure scheme under section 68 of the Finance Act, 1965.

Sub-clause (a) seeks to secure that where the whole or a part of the tax due from a declarant under section 68 of the Finance Act, 1965 has not been paid by him within the specified period of six months from the date of the declaration, the tax so outstanding will be treated as tax due from the declarant under the provisions of the Income-tax Act on the date following the expiry of the said period, and all the provisions of that Act relating to collection and recovery of taxes will apply accordingly The time-limit for the purpose of initiating proceedings for the recovery of the outstanding tax will be extended in such cases by one year beyond the existing time-limit

Sub-clause (*b*) seeks to provide that where the tax due under section 68 of the Finance Act, 1965 has been paid by the declarant in full after the expiry of the above-mentioned six-month period or has been recovered from him under the provisions of sub-clause (a) mentioned above, the tax so paid or recovered shall be deemed to be 'tax paid' for the purpose of section 68 of the Finance Act, 1965, and, accordingly, the declarant will be entitled to immunity from being assessed to tax, on the income declared by him, under the provisions of the Income-tax Act.

Clause 47 seeks to repeal sections 2 and 3 of the Finance Act, 1967

FINANCIAL MEMORANDUM

INCOME-TAX AND OTHER DIRECT TAXES

The provisions contained in clauses 27, 34, 35 and 36 of the Finance (No. 2) Bill, 1967 are designed to facilitate reorganisation of the work in the Income-tax Department on the functional basis with a view to speeding up assessments and expediting collection of revenue and generally increasing the efficiency of the Department. It is proposed to introduce the functional system of working, during the financial year 1967-68, in Income-tax ranges accounting for 50-60 per cent. of the total income-tax revenue. While the re-organisation is not, for the present, expected to entail any increase in the strength of officers and staff in the field offices, it is considered necessary to set up a small unit at headquarters for assisting the field officers in the introduction of the functional system of working. This unit will also devise schemes for introducing simplified procedures in other Income-tax Offices and will further function as a planning cell for the Department. Some expenditure will also be incurred on the hiring of office buildings where necessary, and also on acquiring furniture, including steel almirahs and racks, for centralised record rooms in the Income-tax ranges organised on the functional system.

The expenditure on the setting up of the unit at headquarters as stated above and on hiring of office buildings, acquiring furniture, etc., for the field offices for the financial year 1967-68 is estimated at Rs. 2,30,000 as indicated hereinbelow.

		Annual emoluments	Cost during 1967-68 (for 9 months)
A. *Recurring Expenditure*		**Rs.**	**Rs.**
I. *Officers*—			
Commissioners of Income-tax	2	2 × 29,700	44,550
Assistant Commissioners	2	2 × 19,350	29,025
Section Officer	1	1 × 6,606	4,955
II. *Staff*—			
Stenographers	4	4 × 4,420	13,260
Assistant	1	1 × 4,420	3,315
Lower Division Clerk	1	1 × 2,550	1,913

	Annual emoluments	Cost during 1967-68 (for 9 months)
III. *Incidental expenses*—		Rs.
Incidental expenses including Class IV staff		50,000
IV. *Hiring of buildings*		50,000
		1,77,018
B. *Non-recurring Expenditure*		
Furniture including steel almirahs and racks		50,000
TOTAL		2,27,018
	or say Rs.	2,30,000

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2(4)(d), clause 24, clause 25, clause 30(6), clause 30(8) and clause 33 read with item 13 of the Third Schedule empower the Board to make rules in relation to the matters specified therein. The matters in respect of which such rules may be made include, *inter alia*, the computation of the amount of any profits and gains derived by an assessee from the export of any goods or merchandise out of India in respect of which he may claim deduction from tax, the computation of capital for the purposes of the 'tax holiday' concession, the particulars to be furnished in the certificate given by the person responsible for deducting tax at source from brokerage, commission, etc., the form of return to be filed by any such person who does not deduct tax at source from brokerage, commission, etc., and the authority for the purpose of certifying the percentage of displaced persons and repatriates employed in an industrial undertaking for the purposes of the deduction under the proposed section 80H under item 13 of the Third Schedule, etc. The matters in respect of which rules may be made are those of procedure and detail. Therefore, the delegation of legislative power is of a normal character.

S. L. SHAKDHER,
Secretary.

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